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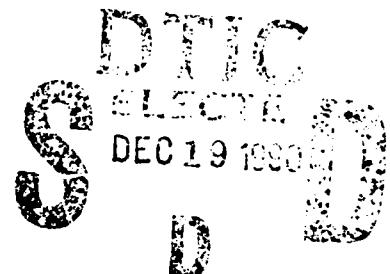
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A LEXICON OF CONTRACTING TERMS:  
CONTRACT TYPES

THESIS

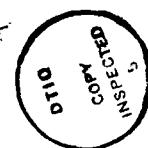
Dean R. Matro, Captain, USAF

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AFIT/GCM/LSP/90S-9

A LEXICON OF CONTRACTING TERMS:

CONTRACT TYPES

THESIS

Presented to the Faculty of the School of Systems  
and Logistics of the Air Force Institute of Technology  
Air University  
In Partial Fulfillment of the  
Requirements for the Degree of  
Master of Science in Contract Management

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Captain, USAF

September 1990

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### Preface

The purpose of study was to further the National Contract Management Association (NCMA) research project of creating a dictionary of key Government acquisition and contracting terms. This effort fulfills the immediate need for more terms to be defined by defining the various contract types used in Federal procurement.

In performing the research and writing this thesis, I have been blessed with much support from others. I am greatly indebted to my faculty advisor, Dr. William C. Pursch, for introducing this project to me and for his continuing guidance and leadership. I also wish to thank the NCMA Fellows who participated in the written survey. Without their professionalism, this thesis would still be on the ground. A big "Mahalo" to my GCM/90S classmates for encouraging me to press on. Hugs and kisses go to my wife Jill and daughter Avery for their love, support, and prayers. Finally, I thank God for seeing me through; through Him, all things ARE possible.

Dean R. Matro

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Abstract

This thesis continued the National Contracting Management Association (NCMA) sponsored research effort of creating a dictionary of acquisition and contracting terms. Research is currently being conducted at the Air Force Institute of Technology, Wright-Patterson AFB, Ohio, and the Naval Postgraduate School, Monterey, California. This effort focused on defining government contract types. Limited to the compensation arrangement and contract form type contracts, a literature review identified 26 contract types. Attributes for each contract type were tabulated, which led to synthesized definitions. A written survey was distributed to a sample group of contracting professionals, requesting their feedback. Predetermined decision rules were applied in conjunction with the literature review and the survey to minimize the personal subjectivity of the researcher. Moderate consensus on the definitions was achieved after evaluating 42 surveys.

A LEXICON OF CONTRACTING TERMS:  
CONTRACT TYPES

I. Introduction

The contracting workforce is currently attempting to professionalize. This has been advocated by many of the recent defense management reforms. One of the requirements of a professional corps is a defined body of knowledge (30:91). Lieutenant Commander Connie L. Thorton researched this in her thesis, "Contracting: A Systematic Body of Knowledge." She stated that a body of knowledge "represents the present store of primary knowledge and establishes the foundation for more meaningful analysis" (30:73). Related to this, five essential body of knowledge attributes were identified. They are central theme, conceptual framework, systematic classification, operational axioms, and dynamic progression (30:41-42).

Within the central theme attribute, a common language is required. Thorton points out that today's contracting language is ambiguous because the Department of Defense (DOD) and the defense industry fail to agree on what particular terms mean (30:48). She later adds that the language is deficient and may impede the progress of professionalizing the contracting discipline (30:50).

### General Issue

The activity of compiling a lexicon of government acquisition and contracting terms is currently underway at the Naval Postgraduate School (NPS) in Monterey, California, and the Air Force Institute of Technology (AFIT) at Wright-Patterson Air Force Base, Ohio. Sponsored by the National Contract Management Association (NCMA), the end result will be a dictionary of key government contracting terms.

Captain John Cannaday concluded in his thesis "Determination of Baseline Definitions For Contracting Words and Phrases" that a dictionary will contribute to the contracting body of knowledge.

Probably the most important attribute of a dictionary lies in its potential contribution to a field's body of knowledge. For those work areas striving to lift the stature of their chosen vocation, a workable knowledge base which is identifiable and recognizable serves to strengthen the case for professional recognition.  
(R:88)

The NCMA is a professional contract management and procurement association. Its members are from the private sector, the government, and academia. Its charter is to professionalize the contracting discipline (S).

### Specific Problem

The need exists for more terms to be researched and defined. One of Thorton's conclusions was that "the NCMA body of knowledge best represents the current contracting body of knowledge ..." (30:92). This body of knowledge currently has sixty-nine defined blocks of knowledge. This

research will concentrate on defining the terms within the "Contract Types" block.

### Research Objectives

Three research objectives have been identified to facilitate solving the specific problem. They are as follows:

- A. Describe how contracts are classified.
- B. Identify the various contract types used within the government contracting discipline.
- C. Derive the definitions of these contract types as stated in contracting literary sources, and used in actual contracting activities.

### Assumptions

The two assumptions of this research effort are from the NCMA research project. The first is that there is insufficient agreement on the definition of contracting terms. There is no single source of authoritative contracting term definitions existing today. The second is that a consensus among contracting personnel is the best method of arriving at acceptable definitions for contracting terms (26:7-8). The Oxford English Dictionary defines consensus as "agreement in opinion; the collective unanimus opinion of a number of persons" (21:851).

### Scope

The contracts defined in this effort are limited to those contract types which describe the compensation or pricing arrangement between the government and the

contractor, and those that describe form and structure. The research is also limited by the contract types found by the researcher during the literature search. The following is the list of 26 contract types defined:

- \* Fixed-Price Contract
  - \* Firm-Fixed-Price Contract
  - \* Firm-Fixed-Price Award Fee Contract
  - \* Firm-Fixed-Price, Level of Effort Term Contract
  - \* Fixed-Price Contract with Economic Price Adjustment
  - \* Fixed-Price-Incentive (Firm Target) Contract
  - \* Fixed-Price-Incentive (Successive Targets) Contract
  - \* Fixed-Price Redetermination Contract
  - \* Fixed-Price Contract with Prospective Price Redetermination
  - \* Fixed-Ceiling-Price Contract with Retroactive Price Redetermination
- \* Cost-Reimbursement Contract
  - \* Cost Contract
  - \* Cost-Plus-Award Fee Contract
  - \* Cost-Plus-Fixed-Fee Contract
  - \* Cost-Plus-Incentive-Fee Contract
  - \* Cost-Sharing Contract
- \* Indefinite-Delivery Contract
  - \* Definite-Quantity Contract
  - \* Indefinite-Quantity Contract
  - \* Requirements Contract
- \* Basic Agreement

- \* Basic Ordering Agreement
- \* Open Contract
- \* Fixed-Rate Contract
  - \* Labor-Hour Contract
  - \* Time-And-Materials Contract

"Letter Contract" was not defined in this effort because it was already defined in Cannaday's thesis. His definition will be incorporated in the proposed list of contract type definitions found in Appendix C. The illegal "Cost Plus Percentage of Cost Contract" is also not defined in this thesis. The definitions are limited to the basic description of each contract type; applications and limitations are not included.

#### Organization of Study

This chapter is the first of five in the thesis. It identifies the general issue, the specific problem, the research objectives, the assumptions, and the scope of the research. Chapter Two, Background, reviews the history of the NCMA research project that this thesis is part of, and presents a cursory look into Government contract types. Chapter Three, Methodology, describes the methodology used in the NCMA research, and the particular methodology used in this thesis. Chapter Four, Findings and Discussion, reviews the results of the research, and Chapter Five presents the conclusions and recommendations derived from the study. The Appendix contains the cover letter used to introduce the

survey, the written survey that was sent to the sample group, and the proposed list of contract type definitions.

### Summary

This chapter identified the general issue, the specific problem, the research objectives, the assumptions, and the scope of this research. The need exists for more terms to be researched and defined in an NCMA sponsored effort to create a dictionary of key government contracting terms. This thesis research concentrates on defining the various contract types used by the government. The objectives are to: 1) describe how contracts are classified; 2) identify the various government contract types; and 3) define those contract types. The research assumptions are: there is insufficient agreement of contracting term definitions, and consensus among contracting personnel is the best method of arriving at acceptable definitions. The contract types defined are limited to those describing compensation arrangements and contract form found by the researcher in the literary search.

## II. Background

This chapter reviews the history of the ongoing NCMA research project, lists the ways contracts are classified, presents the reasons for the different contract types, and describes the criteria and process used in selecting the appropriate contract type for a given situation.

### NCMA Research Project History

This thesis, one of four currently underway at AFIT, is part of a larger, more comprehensive effort sponsored by NCMA to consolidate a common language within the contracting discipline. Five master's theses have already been accomplished in defining contracting terms: four at NPS, and one at AFIT.

Lieutenant Commander Daniel Ryan was the first to study the need for baselining contract term meanings. He wrote of the need to improve communication in his thesis section entitled "Why Baseline Term Meanings?"

Since federal government contracting is responsible to the public to perform its functions efficiently, economically, and ethically, we have been remiss in not examining the basic foundation of our structure. That foundation is built on communication. Communication is impossible without an agreed upon baseline of term meanings. (26:2)

All the theses in the research project have used basically the same methodology developed by Ryan. Ryan used a literature review to develop the initial term definitions, followed by a written survey to a sample group of experts in

the contracting field asking them for their comments on the consolidated definitions. Ryan used the survey to achieve a consensus to assure that the term definitions represent the term meanings used by the majority of the contracting field (26:6).

#### Contract Types

The product that identifies what the contracting discipline is, of course, the contract. What is a contract? Ryan defined it as

a mutually binding relationship enforceable by law, expressing the mutual assent of two or more legally competent parties to do something they are not otherwise required to do so, or not to do something they would otherwise have a right to do, for legal consideration. (26:38)

Most of the literature, including the Federal Acquisition Regulation (FAR), describes contract types in terms of fixed price or cost reimbursement. It categorizes contracts according to the cost responsibilities of the parties. Joseph Hood, however, stated that there are three connotations of contract type. Contracts can be classified by their form and structure, their end purpose, or by their compensation arrangements. These classifications are not exclusive. A single contract represents all of them (15:30).

Form and Structure. A contract can be classified by its physical form. Common forms include the letter contract, an indefinite delivery schedule contract, and the basic ordering agreement.

End Purpose. One can classify a contract by its end purpose or objective. It answers the question, "What is the desired outcome of this contract?" Common types include the service contract, construction contract, and research and development contract.

Compensation Arrangement. As stated earlier, this is the most common method of classifying contracts. Also called pricing arrangement, pricing agreement, and cost responsibility, it is distinguishable in two ways. First, this method places the cost risk on the performer or the buyer, or some share ratio somewhere in between (15:31). W. H. Riemer states that the compensation arrangement "varies to the degree and timing of the performance cost responsibility of the contractor" (24:267). Second, according to John Cibinic and Richard Nash, it is distinguished by the method of payment to the contractor (4:705). It categorizes contracts by the way the performer will be paid. Hood noted that this contract classification method is concerned about cost control and the placement of the contract cost risk (15:31). Stanley Sherman says "It determines the cost, profit, and/or price to be paid once the contract is completed" (29:324).

Sherman classified three types of arrangements: the fixed price, the cost reimbursement, and the fixed rate. In a fixed price contract, the contractor is responsible for delivering the final product or service at a specified price mutually agreed to. Payment is for the completed and

delivered work (4:705). This contract is also called a "lump-sum" contract in a construction contract (23:24). In a cost reimbursement contract, payment is based on costs incurred during contract performance (4:705).

The main difference between these two types is the method of fee determination (23:24). These two contract families form the extremes of the possible cost responsibility for the contractor. A spectrum exists, ranging from total responsibility (firm fixed price) to minimal responsibility (cost plus fixed fee) (25:3-15). Between them are a multitude of intermediate contracts with incentive and award type provisions.

Another difference is the degree of the contractor's contractual promise to the government. Charles Gaisor notes that "in fixed-price contracts, the seller promises, unequivocally, to deliver a product to the specification, on time, and at the price" (13:21). Contrastingly, in a cost-reimbursement contract, the seller "promises to try, that is, to use his best effort, to deliver a product to the specification, on time, and within the estimated (or target) cost" (13:21).

The fixed rate contract is not part of this spectrum. The distinguishing feature of a fixed rate contract is the setting of a reimbursement rate for direct labor at the outset, before the work starts. It is not like a price contract because the final payment is not determined until performance is achieved. It is not like a cost

reimbursement contract because payment does not depend on the costs incurred. The two fixed rate contracts are the labor hour contract and the time and materials contract (29:327).

For a comparison between the three arrangement types, the Department of Defense reported that out of the \$135.4 Billion awarded on prime contracts over \$25,000 in FY 1987, nearly 80% of the dollars (\$108.6 B) were awarded on fixed-priced contracts, 18.5% (\$25 B) on cost-reimbursement contracts, and 1.7% (\$2 B) on fixed-rate and other contracts (10:59).

#### Reasons for Intermediate Contract Types

Citing Peck and Sherer's The Weapon's Acquisition Process: Economic Analysis, W. A. Peeters and J. in't Velt concluded that past development contracts have proved that the traditional price and cost reimbursement contracts were inadequate in controlling costs (23:23). They quote the statistic that the development contracts of the 1950's had an average of not less than 220% cost overrun, and that one case had an overrun of 600% (23:24). To cure this, intermediate contract types containing incentive and award provisions to promote cost controls have been developed (23:23). FAR 16.401 states that

incentive contracts are designed to obtain specific acquisition objectives by ... (2) Including appropriate incentive arrangements designed to ... (ii) discourage contractor inefficiency and waste. (5:17,046)

FAR 16.401 also states that another objective of incentive contracts is to "motivate contractor efforts that might not otherwise be emphasized" (5:17,046). That is, to use incentives to motivate performance beneficial to the government.

Dean Pace mentions another reason: "to secure competition in the procurement of supplies and services by the Federal Government" (22:197). In an environment where the establishment of firm requirements and specifications are difficult due to the complex nature of weapon systems, a variety of contracts have been created (22:197).

#### Appropriate Choice of Contract Type

As the earlier sections demonstrated, there is a wide variety of contracts to choose from. Which one is the correct and proper one? There is no right or wrong answer to the question, however, as Robert Crawford puts it "there are some contract types more right for a given situation than others" (6:22). Each contract can be tailored in such a way to meet the requirements of the project, but the right thing to do is to fit the proper contract type to the situation, and not fitting the situation to the contract type (6:22). Therefore, government contracting personnel must know the given situation before selecting the appropriate contract type. According to Cibinic and Nash, the Government's basic policy is to use the contract type that

imposes sufficient risk on the contractor to motivate good performance, yet relieves the contractor of risks over which he has no control and which are unpredictable. (4:705)

W. Noel Keyes observed that the type of contract may change over a period of time for a given program. This change is dependant upon the program phase; cost type contracts during the early phases of the program, followed by fixed-priced contracts for the latter stages.

While it may be necessary to commence with the least desirable cost-type contracts during early phases of a program, these can be succeeded or modified with experience through the use of firmer priced agreements as the risks become more manageable. (Y:244)

Peeters noted that at the negotiation table, the situation may exist where differing views on the appropriate contract type are present (23:27). These differing views may be reciprocal; a particular type may be advantageous for one party and equally disadvantageous for the other (23:27). The objective then is to compromise and find the right contract that best meets the needs of both the buyer and the contractor (23:27). Cibinic and Nash calls this "a delicate balance in the selection and negotiation of the contract type" (4:708).

Hood wrote that the selection of the contract type is based on the nature of work desired (15:40). He defines nature of work as "a measure of the degree of certainty or uncertainty associated with the extent of the contract work" (15:39). He clarifies that certainty is somehow tied to predictability and confidence relative to the amount of work

necessary to accomplish the task within specification  
(15:39-40).

Crawford concludes his article by reminding us that the most important factor in determining the proper contract type is the selection of the contract type

with a realistic delivery schedule that will result in the best equipment possible delivered to the troops at the fairest price (cost) to the government and the contractor. Both parties have to feel like winners, or there will be three losers - the contracting officer's team, the contractor, and (most important) the soldier in the field. (6:23)

Peeters stated that the Department of Defense (DOD) and the National Aeronautics and Space Administration (NASA) propagate the use of confidence as an objective criterion (23:27). Confidence was defined as "the estimate of the amount by which final costs might deviate from the target" (23:27).

Several sources came up with a list of criteria for selecting the proper type of contract. The more common ones are performance risk, technical complexity, long-range motives, and performance criticality (29:323, 23:27-28, 5:17,038).

Sherman stated that even though contract type is a negotiable item, the decision is usually made before any formal involvement of potential contractors (29:333). He has found that the contract type is decided before the issuance of the Request For Proposal (RFP), and these intentions are stated in the acquisition strategy document (29:333). Sherman noted that in practice, the contract type

is determined by top management, the contracting officer or negotiator, statute or regulation, the use of draft RFP's for contractor comments, or modifications due to events such as the refusal of potential contractors to bid (29:333-334).

#### Summary

This chapter reviewed the history of the NCMA research project, and provided background information on government contract types. Government contracts are generally classified in three ways: form and structure, end purpose, and the compensation arrangement between the contractor and government. The reasons for the different contract types include cost control, motivating contractors to perform and preserving competition. The major criteria used to select the appropriate contract type for a given situation are performance and technical risk, long-range motives, and performance criticality.

### III. Methodology

This chapter reviews the methodology used in the NCMA research project, and describes the particular methodology used in this thesis effort. The particular methodology was used to solve the specific problem of defining more government contracting terms, specifically concentrating in defining contract types. Discussion topics include the NCMA research project methodology, the particular method, the decision rules used, and the specific tasks accomplished.

#### NCMA Research Project Methodology.

As stated in the earlier chapter, Ryan developed the methodology of incorporating a literature review and a written survey to achieve a consensus. The literature review was used to create the initial term definitions. He compiled the definitions into a written survey which he distributed to a sample group of contract management experts for comments.

Ryan used 200 NCMA Fellows as his sample group. The Fellows are the pillars of the contracting discipline. They are a select group of professionals within NCMA with vast contracting experience and knowledge. They are awarded the Fellow designation for their "academic background, their contributions to education, their service to NCMA, and their status in the contracting community" (33).

Before sending out the survey to the sample group, Ryan sent a presurvey to 15 NCMA Fellows to review the survey and

correct any survey flaws that might affect the results of the larger survey (26:13). Following the presurvey, Ryan distributed the survey to the larger group for comments. He felt that 200 represented "an administratively manageable quantity based on the expectation that 25% to 35% of the questionnaires distributed would be completed and returned" (26:15).

Once the survey was completed and incorporated into the term definitions, he endorsed the application of a second survey iteration to derive a consensus. However, only one was done because of "resource and time constraints" (26:10). Therefore, the definitions derived from the single survey became the proposed definitions to be presented in the dictionary. Cannaday also used one iteration for the same reason, and because he felt "that survey results from the sample population selected would achieve the objective of determining baseline terminology meanings" (3:35). The researcher of this thesis used one survey iteration for the same reason.

Cannaday added another step in his research process, while the three theses just completed at NPS used the Ryan methodology described. Cannaday held informal discussions with knowledgeable AFIT instructors when additional input was needed (3:39).

Ryan noted a weakness in his original methodology. In certain situations, he was required to use his personal judgment in incorporating changes. These situations

occurred when the majority of the respondents agreed with the synthesized definition and

1) a few others recommended a change to the definition that increased its conciseness, and/or

2) the recommended change addressed an attribute which should have been incorporated in the definition (26:84-85).

Cannaday also stated that "evaluation of respondent input was a judgmental process conducted by the researcher based on the literature review of each term" (3:39).

Predetermined decision rules were used in this thesis to ensure that the research can be repeated with similar results.

#### Particular Method

Since this research project is part of an ongoing one, the method used in this thesis research was similar to the one developed by Ryan in the original effort. The general tasks included (in order):

- a. Conduct a literature review for each contract type used in government contracting.
- b. Create a synthesized definition for each contract type.
- c. Create the written survey.
- d. Determine the sample group.
- e. Distribute the survey to the sample group.
- f. Update the definitions once the surveys have been received.

### Decision Rules

The main difference between the methodology used by Ryan and this researcher was the use of predetermined decision rules in conjunction with the literature review and written survey. The use of these decision rules promotes objectivity by alleviating the need for personal judgment on the researcher's part in determining which attributes should be incorporated in the definitions. Personal judgment was used to make the definitions as precise and concise as possible. Similar rules were used during the literature review and the written survey. The Oxford English Dictionary defines an attribute as "a quality or character considered to belong to or be inherit in a person or thing; a characteristic quality" (20:556).

Literature Review. The researcher tabulated the various attributes of a particular contract type and noted the number of times they were used.

- 1) If less than 25% of the definitions mentioned a particular attribute, the attribute was not incorporated in the definition.
- 2) If the percentage fell between 25% and 50%, the attribute was not incorporated in the definition, but was listed in a note following the definition. This allowed the respondents to comment on it.
- 3) If the percentage was greater than or equal to 50%, the attribute was incorporated.

Written Survey. Once the surveys were returned, the researcher recorded the responses regarding the attributes that should be included or deleted from the definitions.

- 1) If less than 25% of the comments desired the change, then no change occurred.
- 2) If the percentage was between 25% and 50%, then no change was made, but a note to the definition was included stating the proposed update. This note can then be used for future research in redefining the term.
- 3) If the percentage was greater than or equal to 50%, then the change to the synthesized definition was made.

These decision rules applied only to the attributes.

Comments suggested by the sample group to improve the conciseness of the definition, and to update the synonym list were used based on the researcher's judgement.

#### Description of Specific Tasks

This next section describes more specifically the tasks accomplished in the methodology: the literature review, the written survey, and the definition update process.

Literature Review. The purpose of the literature review was threefold: 1) identify the contract types used in government; 2) review the various published definitions and tabulate the attributes for each contract type; and 3) synthesize the definitions using the decision rules described above. The data sources for the review included the FAR, procurement dictionaries and glossaries such as the National Estimating Society's Dictionary of Cost Estimating Terms and Phrases, acquisition textbooks such as Government Procurement Management (2nd Ed) by Stanley Sherman, articles from contracting periodicals like the National Contract Management Journal, and other acquisition related material.

Identification of Contract Types. The researcher reviewed the literature and recorded the different contract types described or defined. The FAR was used to generate the baseline list, while the other sources were used to add to it. The contract type names in this effort were taken from the FAR. For those contract types not in the FAR, the researcher used the most common name from the other literary sources. In all, 26 contract types were identified, not including "letter contract" which was defined in an earlier effort.

Tabulation of Attributes. The attributes for each contract type was recorded after reviewing each literary source. Then after the sources have been reviewed, a frequency rate was determined for each attribute. The frequency rate was defined as the number of times a particular attribute was used to define a contract type divided by the total number of sources used in defining that particular contract type. A table of attributes is presented for each contract type in the next chapter.

Synthesis of Definitions. Once the frequency rates were determined, the researcher selected those attributes with a rate of 50% or more to define each contract type. The definition was presented in the Aristotelian or formal form:

$$\text{Term} = \text{Class} + \text{Differences}$$

The definitions were limited to the basic description; applications and limitations were not included. The

attributes with a rate between 25% and 50% were listed as notes following the definition. The FAR reference and a list of synonyms were also listed.

Written Survey. The purpose of the survey was to validate the synthesized definitions. This promoted consensus between how the contract types were defined in the literary sources and how they are defined in actual contracting activities. The tasks involved in this portion of the methodology included: 1) creation of the cover letter; 2) creation of the actual written survey; 3) determination of the sample group; 4) survey packet distribution; and 5) feedback collection.

Creation of the Cover Letter. A cover letter was drafted to introduce the written survey and the overall NCMA research project to the sample group. Signed by William Pursch, Professor of Contracting Management, Air Force Institute of Technology, the letter gave the survey credibility. A postmark return date of 6 July 1990 was also included. A copy of the cover letter is located in Appendix A.

Creation of the Survey. The survey was created to validate the synthesized definitions of contract types developed through a literature review of government procurement/contracting sources. In the survey, each definition was presented, followed by the FAR reference, a list of synonyms, and any applicable notes. The notes included those attributes with a frequency rate between 25%

and 50%, and comments provided by the researcher to aid the respondent's evaluation. The survey allowed the respondents to comment on the synthesized definitions and the list of synonyms. A block was provided for the respondents to mark signifying their agreement or disagreement for both the definition and the synonym list. Space was provided for comments. The contract types were presented in the following order: Fixed-Price contracts, Cost-Reimbursement contracts, Indefinite-Delivery contracts, Agreements, and lastly, Fixed-Rate contracts. A copy of the survey is presented in Appendix B.

Determination of Sample Group. A randomly selected group of 130 NCMA Fellows was targeted for the survey. The names were selected from the 26 March 1990 list of Fellows which had approximately 687 members. The researcher targeted 130 Fellows instead of 200, which was the number used in earlier theses, because the expected response rate was 35% to 40%, equating to approximately 50 returned surveys. This was deemed reasonable because Ryan had a response rate of 33% (26:15), and Cannaday had a response rate of 39%. It was discovered after the surveys were distributed that the at least two of the three past researchers at NPS had much lower response rates. Lieutenant Daniel Downs had a response rate of 18.5% (11:52), while Captain Richard Florek had a response rate of 14.5% (12:59).

Survey Packet Distribution. The survey packets were distributed on 14 June 1990. This allowed the respondents approximately 3 weeks to complete the survey. The packet included the written survey, the cover letter, and a return envelope. The mailing labels were provided by the NCMA.

Update of Definitions. After receiving the surveys, the researcher updated the definitions using the established decision rules. The comments received were categorized into four groups: Rewrite, Add Attribute, Delete Attribute, and Other. The "Rewrite" comments were those, according to the researcher, that helped clarify, corrected any grammatical errors, or improved the conciseness of the definition. The application of these comments were not guided by the decision rules, but by the judgment of the researcher. The "Add Attribute" comments were those that introduced attributes that, according to the respondent, should be included in the definition. The "Delete Attribute" comments were those that recommended the removal of a particular attribute used in the definition. Finally, the "Other" comments were those comments that didn't fit into the other three categories. All respondent comments and suggestions presented in the next chapter are presented without attribution to protect their anonymity.

### Summary

This chapter discussed the methodology used in the NCMA research project, and the particular methodology used to answer the specific problem stated in Chapter One. The methodology used to develop definitions to be incorporated in a dictionary of government acquisition and contracting terms was developed by Ryan at NPS. He used a combination of a literature review and a written survey to create a consensus definition for each term being defined. This research applied a similar approach. The general tasks were: 1) conduct a literature review for each contract type; 2) create a synthesized definition for each; 3) create the written survey; 4) determine the sample group; 5) distribute the survey; and 6) update the definitions after receiving the surveys. The main addition to the Ryan methodology was the use of predetermined decision rules to remove any biases the researcher might have.

#### IV. Findings and Discussion

This chapter examines the results of the literature review and the written survey for each contract type defined in the thesis. The overall trends and findings derived from the review and survey are presented together with an evaluation of each contract type. The contract types are listed in the same order as the survey: fixed-price contracts, followed by cost-reimbursement contracts, indefinite-delivery contracts, agreements, and finally fixed-rate contracts. The chapter concludes with an "Overview" section that reviews the comments provided by the Fellows regarding the entire list of contract types, and a summary.

##### Overall Trends and Findings

This section reviews the overall trends and findings of the literature review and the written survey.

Literature Review. The definitions found in the literary sources were varied. As one can tell from reading the tables, the attributes listed for each contract type were different and consensus within most of the contract types was lacking. Only a few of the types were rather consistent among the writers. One of the contract types, "Open Contract", was especially confusing because the attributes used to describe the contract contradicted each other. Also, a research error was found in defining "Cost-

Plus-Award-Fee Contract." An attribute was inadvertently included in the synthesized definition.

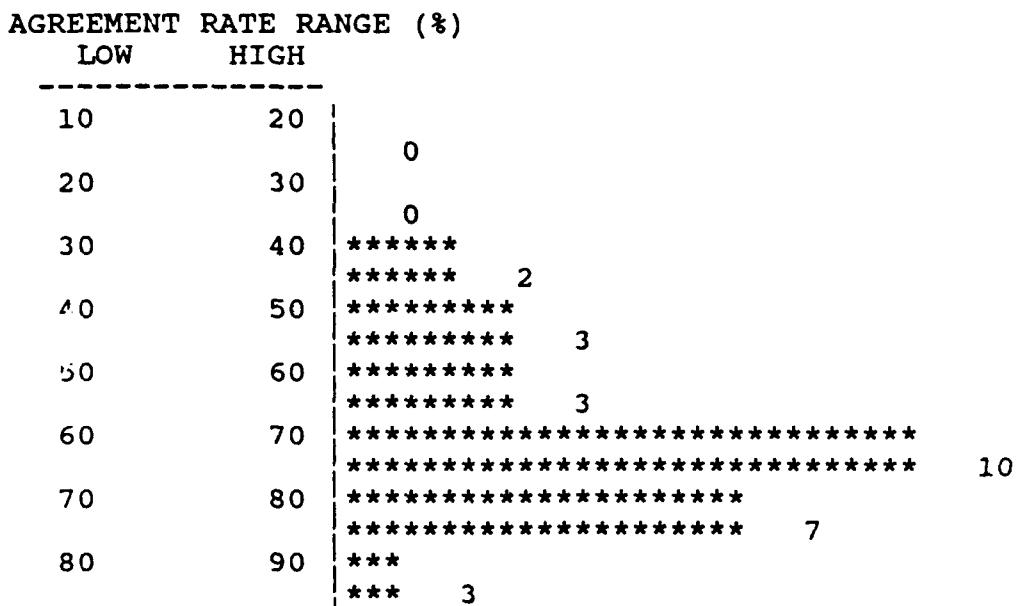
Written Survey. Out of 130 written surveys distributed, 43 were returned by the respondents, for a return rate of 33%, and one from the Postal Service. The Postal Service was unable to forward the survey to the individual. From the 43, 42 were evaluated, for a response rate of 32.3%. The remaining one was not used because it was returned unanswered by the respondent. He felt he was out of touch with the contracting community since he retired.

The responses to the General Background questions in the survey profiled the 42 respondents to be knowledgeable in contract management with many years of experience. Seventy-six percent of them had at least a Master's Degree in an acquisition related field. Thirty-six have over 15 years of contract management/procurement experience; 26 of them have over 20 years. Twenty-six respondents stated that Government contracting was their current field, and 35 of them stated that their field of expertise was Contract Management.

The mean agreement rate for the 26 definitions presented in the survey was 62%, with a standard deviation of 12.74. From Figure A, one can see that consensus among the Fellows regarding the definitions was moderate. The figure shows the Fellows tended to agree with the proposed definition, but not by much. Eighteen out of 26 definitions

fell within 20 percentage points of 50%. One would of hoped to have seen relatively high numbers of definitions at one or both extremes to signify consensus.

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Figure 1. Number of Contract Type Definitions with Corresponding Agreement Rate Range

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#### Contract Type Evaluations

The contract types will be evaluated in the order they were presented in the survey. The evaluation examines the results of the literature review, presents the definition proposed in the written survey, and then discusses the comments provided by the respondents. As stated in the earlier chapter, the comments are provided without attribution to protect the respondent's anonymity. Those taken as full quotes are labeled as Anonymous, e.g. (Anon). The proposed definition is then stated, along with the FAR

reference, and the proposed list of synonyms. The synonym lists were updated by including those that were suggested by the respondents, determined suitable by the researcher, and alphabetizing them.

A. Fixed-Price Contract. Table 1 lists the attributes found describing this contract type and the corresponding frequency rate. Eight sources were used (2:4-14, 5:17,039, 7:296, 9:B-5, 19:49, 23:24, 25:3-16, 32:20). Applying the decision rules, the synthesized definition became:

FIXED-PRICE CONTRACT: A contract type that provides either a contractually agreed price, or an adjustable price subject to incorporated contract clauses.

FAR reference: 16.201

Synonyms: None

Notes: None

TABLE 1  
ATTRIBUTES FOUND FOR  
FIXED-PRICE CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Provides contractually agreed price or price subject to limited adjustments	75%
Refers to family of pricing arrangements	13%
Gov't bears no responsibility for payment beyond ceiling	13%
Ceiling price adjusted only by operation of contract clauses	13%
Price adjustment not based on contractor's cost experience	13%

From the 42 respondents, 24 of them agreed with the definition, while 17 disagreed, and one had no comment. That led to an agreement rate of about 57%. The majority of the comments dealt with rewriting the definition for conciseness and grammar.

Rewrite. Thirteen comments were provided by the respondents. The more common comments included:

- inserting "firm", "fixed", or "final" between "agreed" and "price"
- changing the last phrase to read "price subject to adjustment..."

These were incorporated in the proposed definition.

Add Attribute. There was no consensus among the comments as to which attribute(s) needed to be added. Two respondents wanted to add "ceiling price", two wanted to add the attribute of "providing a fixed price per unit", and one individual wanted "guaranteed delivery." The frequency rates of these attributes fell well below the value needed to be included in the definition or inserted as a note. As a result, none of these were added to the definition.

Other. One respondent stated that an adjustable price is not "fixed." Literally, that's true, but "fixed" prices do change when the contract clauses allow them to. Another comment dealt with the clauses that allow price adjustments. The comment read: "Adjustable through some clauses - changes. EPA. But not through redetermination" (Anon). The researcher disagreed with this comment as well; prices are adjusted through redetermination. Again, because

of the low frequency rate, these comments were not incorporated.

Synonym List. Half the respondents wrote "N/A" or left it blank. Out of the remaining 21, 18 agreed that there are no synonyms to Fixed-Price Contract, two added "Lump-Sum", and one said NO, but offered no synonym.

Proposed Definition. After reviewing the comments and applying the decision rules, the proposed definition is:

FIXED-PRICE CONTRACT: A contract type that provides either a contractually agreed final price, or a price subject to adjustment if incorporated contract clauses become applicable.

FAR reference: 16.201  
Synonym: Lump-sum

B. Firm-Fixed-Price Contract. Thirteen sources were reviewed and the attributes found are listed in Table 2 (2:2-19, 5:17,039, 7:293, 9:B-5, 15:31, 16:69, 19:65, 22:198, 23:25, 24:272, 25:3-16, 28:132, 29:327-328).

TABLE 2  
ATTRIBUTES FOUND FOR  
FIRM-FIXED-PRICE CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Price not adjusted based on cost experience	77%
Price is mutually agreed to	46%
All cost responsibility placed on the contractor	31%
Change in price is possible	23%

After applying the decision rules, the definition sent to the sample group was:

FIRM-FIXED-PRICE CONTRACT: A fixed-price contract with the price not adjusted based on the cost experience of the contractor.

FAR reference: 16.202-1

Synonym: lump-sum

Notes: 46% - price is mutually agreed to  
31% - all cost responsibility placed on contractor

Twenty-two of the respondents agreed with the definition for a rate of 52%, while 20 disagreed.

Rewrite. Some of the comments provided were:

- "Define what it is, not what it isn't" (Anon).
- replace "adjusted" with "subject to adjustment"
- Rewrite to read, "A contract with no provisions for contract price adjustments based on the costs incurred by the contractor" (Anon).
- ...price not adjusted based on costs experienced by the contractor
- insert between "adjusted" and "based", "if specifications remain unchanged"
- add after "contractor", "during performance"

Add Attribute. Three respondents wanted to add "all cost responsibility placed on contractor", and another wanted to add "or other outside influence." The frequency rates were 7% and 2% respectfully, so these attributes were not added.

Delete Attribute. Five respondents wanted the attribute "based on the cost experience of the contractor" deleted. They felt it wasn't needed. One Fellow wrote,

A FFP is a contract with no price adjustment. Not limited to cost experience or anything else. The above

definition seems to imply that FFP can be adjusted for provisions other than cost experience. (Anon)

Another added, "There is no need to bring in cost experience -a firm fixed price contract is simply not adjustable-it is fixed" (Anon)! With a frequency rate of 12%, this description was left in the definition.

Other. One Fellow simply stated "FAR 16.202 is better" (Anon).

Synonym List. Thirty respondents agreed that "Lump-Sum" was the only synonym for "Firm-Fixed-Price Contract." Three didn't like it for these reasons:

- "Lump sum implies less accuracy in reaching a price than FFP. Suggest no synonym" (Anon).
- "Lump sum indicates a simple payment-fixed price contracts can be paid in segments per terms of contract" (Anon).
- "Lump sum is not definitive" (Anon).

Two Fellows wanted to add "FFP" as a synonym, another wanted "Firm Lump Sum", and one didn't provide a comment. Since 71% of the respondents agreed that "Lump-sum" was a synonym, it was not deleted.

Proposed Definition. After the survey evaluation and the application of the decision rules, the proposed definition is:

FIRM-FIXED-PRICE CONTRACT: A fixed-price contract with the price not subject to adjustment based on costs incurred by the contractor.

FAR reference: 16.202-1

Synonym: FFP, Firm Lump Sum, Lump-Sum

C. Firm-Fixed-Price Award Fee Contract. This was a relatively new contract type. One source was found and used to determine the attributes listed in Table 3 (14:8-9). The researcher alerted the sample group of that fact. Because of the single source, the definition presented was rather straightforward:

FIRM-FIXED-PRICE AWARD FEE CONTRACT: A fixed-price contract in which a part of the profit is set aside as an award fee. This fee is unilaterally determined by the Government's subjective evaluation of the contractor's performance in terms of stated criteria, and is not subject to the Disputes clause.

FAR reference: None

Synonym: None

Notes: DRM - definition came from a single source

TABLE 3

ATTRIBUTES FOUND FOR  
FIRM-FIXED-PRICE AWARD FEE CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Part of profit set aside an award fee	100%
Award fee based on Gov't subjective evaluation	100%
Award fee unilaterally determined by Gov't	100%
Not subject to Disputes clause	100%

Nearly half of the respondents disagreed with the definition presented. Twenty disagreed with it, while 19 agreed, and 3 had no comments.

Rewrite. Two respondents requested changing "part of the profit" to read "in addition to the profit." Another

Fellow suggested starting the second sentence with "The amount of the fee" to distinguish that the amount is evaluated, not the fee itself. A third Fellow agreed with the definition provided "Firm" is deleted from the title. The first two comments were used in the proposed definition.

Add Attribute. The lone comment stated that the fee could be all of the profit, and not just a part of it.

Delete Attribute. Five respondents disagreed with the term "subjective" in describing the Government's evaluation of contractor performance. One Fellow stated that some criteria used by the Government are objective in nature. With 5 disagreements on this attribute, the frequency rate for this deletion is about 12%; not enough to merit deletion according to the decision rules.

Other. There seems to be some confusion among some of the Fellows regarding this contract type. Several of them stated they have never heard of this. Others were confused with the combination of profit and fee. One was even adamant about it by saying,

I have never heard of this in regulation or in practice. Cost plus award fee - yes. Fixed price incentive - yes. The concept of "fee" in FFP shows someone simply does not know what they are talking about! (Anon)

One Fellow has had experience with this type of contract and offered his observation.

In my experience a FP/AF contract provides an available profit over and above that based on WGL for specific performance or schedule goals mutually agreed to. (Anon)

The researcher is assuming that FP/AF is an acronym for Firm-Fixed-Price Award Fee, and that WGL stands for Weighted Guidelines.

Synonym List. Twenty-four respondents felt that there was no synonym. Seventeen others had no comment, and the one who disagreed with the "non-list" offered no suggestions.

Proposed Definition. After reviewing the comments, the proposed definition is:

FIRM-FIXED-PRICE AWARD FEE CONTRACT: A fixed-price contract which provides the payment of an award fee in addition to the price set forth. The amount of the fee is unilaterally determined by the Government's subjective evaluation of the contractor's performance in terms of stated criteria, and is not subject to the Disputes clause.

FAR reference: None

Synonym: None

D. Firm-Fixed-Price, Level of Effort Term Contract.

Table 4 lists the attributes found for this contract type.

TABLE 4

ATTRIBUTES FOUND FOR  
FIRM-FIXED-PRICE, LEVEL OF EFFORT TERM CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Contractor provides a specific level of effort	100%
Stated period of time	71%
Work stated in general terms	57%
Progress is sought, not completion	29%

Seven sources were used. (1:13, 5:17,043, 8, 16:70, 25:3-18,3-19, 29:329, 31:233). After applying the decision rules, the synthesized definition found in the survey was:

FIRM-FIXED-PRICE, LEVEL OF EFFORT TERM CONTRACT: A fixed-price contract to which the contractor must provide a specific level of effort, within a stated period of time, on work stated in general terms.

FAR reference: 16.207-1

Synonym: None

Notes: 29% - progress is sought, not completion

Thirty-one respondents agreed with the definition as stated in the survey, for a agreement rate of 74%. Eight respondents disagreed with the definition, and three had no comment.

Rewrite. The two comments dealt with replacing "to" with another word, either "under" or "in."

Add Attribute. Each of the following were requested to be added to the definition: work specified, best effort, effort measured in manhours, and fixed amount. However, each was requested once, so the frequency rate for each is about 2%. Because of the low rate, none of these were added to the definition.

Delete Attribute. Two attributes were suggested for deletion. They were: work stated in general terms, and specific level of effort. One Fellow questioning the phrase "work stated in general terms" said,

There is a contradiction in terms that bothers me. FFP contract is intended when tasks are well defined and now we are introducing the contradiction ..."on work stated in general terms." These terms introduce ambiguity that may create problems. (Anon)

Again, because of the low frequency rate, these two attributes were not deleted.

Synonym List. Twenty-three respondents agreed with the lack of a synonym, while four disagreed, and 15 provided no comment. Two synonyms were provided: Level of Effort Contract, and Best Effort Contract. They were included in the proposed list.

Proposed Definition. Since a large majority of the Fellows agreed with the survey definition, the definition remained the same.

FIRM-FIXED-PRICE, LEVEL OF EFFORT TERM CONTRACT: A fixed-price contract to which the contractor must provide a specific level of effort, within a stated period of time, on work stated in general terms.

FAR reference: 16.207-1  
Synonym: Best Effort, Level of Effort

#### E. Fixed-Price Contract with Economic Price

Adjustment. Table 5 was created after reviewing 16 sources (1:13, 2:4-14, 5:17,039, 7:293, 8, 9:B-4, 15:33, 16:70-71, 18:48, 19:67, 23:25, 24:273-274, 25:3-17, 27:25, 29:329, 31:229). Implementing the decision rules led to the following definition:

FIXED-PRICE CONTRACT WITH ECONOMIC PRICE ADJUSTMENT: A fixed-price contract which provides the price to be adjusted when contractually specified contingencies occur.

FAR reference: 16.203-1  
Synonyms: Firm-fixed price with escalation, Escalation, Fixed-price escalation, Price escalation  
Notes: 44% - reflect changes in market (established prices)  
44% - reflect changes in labor/material costs  
31% - reflect changes in labor/material cost indexes

TABLE 5

ATTRIBUTES FOUND FOR  
FIXED-PRICE CONTRACT WITH ECONOMIC PRICE ADJUSTMENT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Provides upward price adjustment	94%
Provides downward price adjustment	88%
Price adjusted as contractually specified contingencies occur	81%
Reflect changes in market (established prices)	44%
Reflect changes in labor/material costs	44%
Reflect changes in labor/material cost indexes	31%
Adjustments based on established prices restricted to industry-wide contingencies	25%
Adjustments based on labor/material costs limited to contingencies beyond contractor control	25%
Predetermined escalation formula	6%
Upward adjustment has ceiling	6%

Twenty-six of the respondents agreed with the survey definition for an agreement rate of about 62%. The remaining 16 disagreed. The disagreements dealt mainly with rewriting for clarity, and adding an attribute.

Rewrite. Six respondents suggested that the word "for" be placed after the word "provides." This was done in the proposed definition.

Add Attribute. Two separate attributes were suggested to be included in the definition. The first one,

"economic contingencies", was suggested four times, and the second one, "adjusted within a specified range", twice. These figures led to frequency rates of 10% and 5%, respectively; too low to be included.

Synonym List. Thirty-three respondents agreed with the list, while seven disagreed, and two had no comment. Four of the seven wanted to delete "Escalation" because it implied only upward adjustment. Two others wanted to add "Fixed Price with EPA" as a synonym. Since 30 respondents agreed with "Escalation", it remained on the list.

Proposed Definition. Using the comment of inserting the word "for" in the definition, the proposed definition is:

FIXED-PRICE CONTRACT WITH ECONOMIC PRICE ADJUSTMENT: A fixed-price contract which provides for the price to be adjusted when contractually specified contingencies occur.

FAR reference: 16.203-1

Synonyms: Escalation, Firm-Fixed Price with Escalation, Fixed-Price Escalation, Price Escalation, Fixed-Price with EPA

#### F. Fixed-Price-Incentive (Firm Target) Contract.

Table 6 lists the attributes of this contract type. Sixteen sources were used (1:13, 2:4-14, 4-15, 5:17, 048, 7:295-296, 8, 9:1-14, 15:33, 16:71, 18:48, 19:66, 78, 23:25, 24:275, 25:3-17, 3-18, 27:26, 29:328, 31:230-231). The synthesized definition became:

FIXED-PRICE-INCENTIVE (FIRM TARGET) CONTRACT: A fixed-price contract that provides the adjustment of profit and price by a formula based on the variance between total

allowable costs and target cost. Contract elements negotiated at the outset include target cost, target profit, price ceiling, and the profit adjustment formula.

FAR reference: 16.403-1

Synonyms: None

Notes: 38% - final price subject to price ceiling

TABLE 6

ATTRIBUTES FOUND FOR  
FIXED-PRICE INCENTIVE (FIRM TARGET) CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Adjustment of profit and price	75%
Formula based on relationship which final negotiated total cost bears to negotiated target cost as adjusted by approved changes	75%
Elements negotiated at outset: target cost, target profit, price ceiling, profit adjustment formula	69%
Final price subject to price ceiling	38%
Fee determined when actual costs are known	13%
Target fee fixed	6%
Formula based on performance, schedule, or other bases	6%
Gov't pays sum of final negotiated cost and final profit	6%
Profit adjusted upon contract completion	6%

Twenty-six respondents agreed with the definition, while 14 disagreed, and two had no comment. The majority of the comments dealt with rewriting it for clarity. One attribute was requested to be added, however, the frequency rate was too low for it to be added.

Rewrite. The comments were varied. A sampling of the comments include:

- replace "allowable" with "negotiated"
- add "and or share ratio"
- insert "for" after "provides"
- replace "profit" with "cost"

Add Attribute. Four requested that the note regarding the price ceiling be included in the definition. This was not enough to merit inclusion.

Synonym List. Twenty-two respondents agreed with the "non-list", while five offered more synonyms, and 15 had no comment. The new synonyms were FPI, FPI(T), Simple Incentive Contract, and Incentive Contract.

Proposed Definition. Using the comment of inserting "for" after "provides", the definition becomes:

FIXED-PRICE-INCENTIVE (FIRM TARGET) CONTRACT: A fixed-price contract that provides for the adjustment of profit and price by a formula based on the variance between total allowable costs and target cost. Contract elements negotiated at the outset include target cost, target profit, price ceiling, and the profit adjustment formula.

FAR reference: 16.403-1

Synonyms: FPI, FPI(T), Incentive, Simple Incentive

#### G. Fixed-Price Incentive (Successive Targets)

Contract. Table 7 lists attributes found in nine sources (2:4-15, 5:17,048, 8, 9:1-18, 16:71-72. 18:48, 24:292, 27:27, 31:231-232). Implementing the literary review decision rules, the synthesized definition sent out in the survey was:

**FIXED-PRICE INCENTIVE (SUCCESSIVE TARGETS) CONTRACT:** A fixed-price contract that provides the profit to be adjusted at a specified production point prior to delivery. Negotiated at the outset is the target cost, target profit and the profit adjustment formula. At the production point, two alternatives are possible:

- 1) The Government and the contractor may negotiate a firm-fixed-price, or
- 2) They may negotiate another formula to establish the final price at contract completion.

FAR reference: 16.403-2

Synonyms: Successive incentive, Successive targets

Notes: 44% - ceiling price negotiated at outset

44% - production point negotiated at outset

TABLE 7

ATTRIBUTES FOUND FOR  
FIXED-PRICE INCENTIVE (SUCCESSIVE TARGETS) CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Alternative: negotiate firm-fixed-price	78%
Alternative: negotiate another formula to establish final price at contract completion	78%
Negotiate target cost	67%
Negotiate target profit	67%
Specified production point prio. to delivery	67%
Negotiate profit adjustment formula	56%
Ceiling price negotiated at outset	44%
Production point negotiated at outset	44%

Twenty-four respondents agreed with the definition, for an agreement rate of 57%. Fourteen disagreed, while four of them had no comment. The majority of the comments requested

that the note regarding the price ceiling be included in the definition.

Rewrite. For clarity, two respondents wanted the phrase "provides the profit to be adjusted" to be replaced with "provides for the adjustment of the profit."

Add Attribute. Seven respondents wanted the note on the ceiling price to be added to the definition. But with a frequency rate of 17%, the note was not added. Other attributes that were mentioned to be added included cost adjustments, and the production point negotiated at the outset. Neither of these had a frequency rate large enough for them to be included in the definition.

Synonym List. Thirty-three agreed with the list provided for an agreement rate of about 79%, and no other suggestions were provided. Therefore, the list remained the same.

Proposed Definition. Using the comments to improve the clarity of the definition, the proposed definition became:

FIXED-PRICE INCENTIVE (SUCCESSIVE TARGETS) CONTRACT: A fixed-price contract that provides for the adjustment of the profit at a specified production point prior to delivery. Negotiated at the outset is the target cost, target profit and the profit adjustment formula. At the production point, two alternatives are possible:

- 1) The Government and the contractor may negotiate a firm-fixed-price, or
- 2) They may negotiate another formula to establish the final price at contract completion.

FAR reference: 16.403-2

Synonyms: Successive incentive, Successive targets

H. Fixed-Price Redetermination Contract. The attributes are found in Table 8. Seven sources were used to gather the information (2:4-15, 7:296, 8, 15:33, 19:66, 24:274, 29:328-329).

TABLE 8

ATTRIBUTES FOUND FOR  
FIXED-PRICE REDETERMINATION CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Provides subsequent negotiated adjustment of initial price	57%
Revised price negotiated at time of price revision	29%
Ceiling price negotiated at outset	29%
Specifies time during contract performance for price adjustment	14%
Excludes contingency allowances from initial negotiated price	14%
Adjustments may be upward or downward, retroactive or prospective	14%

The synthesized definition became:

FIXED-PRICE REDETERMINATION CONTRACT: A fixed-price contract that provides for subsequent negotiated adjustment of the initial negotiated price.

FAR reference: None

Synonyms: Fixed-price with redetermination, Fixed-price redetermination, Price redetermination

Notes: 29% - revised price negotiated at time of price revision

29% - ceiling price negotiated at outset

Thirty-one respondents agreed with the definition as written in the survey for an agreement rate of 74%. Six disagreed, and five had no comments. Two attributes were mentioned, and three general comments were provided.

Add Attribute. One respondent wanted the note about the price ceiling to be included, while another wanted to add that the adjustment was based on criteria set forth in the contract. Because of the low frequency rates, these attributes were not added.

Other. Two respondents wanted the definition to describe the criteria for redetermination. Another mentioned that this definition was not needed because it was adequately covered by the Prospective and Retroactive types. He added "either include those terms in this definition or delete it altogether" (Anon). For the purposes of this study, these two recommendations were not acted upon.

Synonym List. Thirty-one respondents agreed with the list provided; an agreement rate of about 74%. Three who disagreed wanted to add "Fixed-Price Redeterminable" as a synonym. Two others caught the error of listing "Fixed-Price Redetermination" as its own synonym. The remaining four had no comments.

Proposed Definition. This definition remained unchanged, except for the removal of the notes and the synonym list update.

**FIXED-PRICE REDETERMINATION CONTRACT:** A fixed-price contract that provides for subsequent negotiated adjustment of the initial negotiated price.

FAR reference: None

Synonyms: Fixed-Price Redeterminable, Fixed-Price with Redetermination, Price Redetermination

I. Fixed-Price Contract with Prospective Price

Redetermination. The attributes are listed in Table 9.

They were found from nine sources (5:17,041, 8, 9:1-21, 16:71, 18:48, 24:274, 25:3-18, 27:29, 31:233).

TABLE 9

ATTRIBUTES FOUND FOR  
FIXED-PRICE CONTRACT WITH  
PROSPECTIVE PRICE REDETERMINATION

<u>ATTRIBUTE</u>	<u>FREQUENCY</u>	<u>RATE</u>
Provides prospective redetermination of contract price for subsequent periods of performance	100%	
Redetermination during performance	78%	
Stated times	78%	
State time	67%	
Provides firm-fixed-price for initial contract performance	56%	

All the attributes were used to develop the synthesized definition since they all had a frequency rate of at least 50%.

FIXED-PRICE CONTRACT WITH PROSPECTIVE PRICE REDETERMINATION: A fixed-price redetermination contract that provides a firm-fixed-price for the initial contract performance, then a prospective redetermination of the contract price for subsequent contract performance. The price is redetermined

at a stated time or stated times during the initial contract performance.

FAR reference: 16.205-1

Synonyms: Fixed-price with redetermination-prospective, Fixed-price with prospective redetermination, Price redetermination-prospective, Prospective price redetermination, Fixed-price redeterminable-prospective

Notes: None

Thirty respondents agreed with the definition, while eight disagreed, and four had no comment. The agreement rate was over 71%.

Rewrite. Three comments were provided:

- delete second "stated"
- replace "prospective" with "future"
- replace "then" with "and"

The first two comments were used.

Add Attribute. One respondent wanted to include the idea of price ceiling, while another wanted to add that redetermination was not necessarily during the initial contract performance. They were not added because of the low frequency rate.

Other. The two comments dealt with the need to describe the criteria for redetermination. As in the Redetermination Contract, this was not done.

Synonym List. Thirty-three respondents agreed with the list for an agreement rate of about 79%. Two disagreed with the list and seven had no comments. One of the respondents who disagreed stated that "the first and

last ones are redundant" (Anon). The researcher felt that all synonyms are redundant, so the deletions were not made.

Proposed Definition. After using the two "Rewrite" comments, the definition became:

FIXED-PRICE CONTRACT WITH PROSPECTIVE PRICE REDETERMINATION: A fixed-price redetermination contract that provides a firm-fixed-price for the initial contract performance, then a future redetermination of the contract price for subsequent contract performance. The price is redetermined at a stated time or times during the initial contract performance.

FAR reference: 16.205-1

Synonyms: Fixed-Price with Prospective Redetermination, Fixed-Price Redeterminable-Prospective, Fixed-Price with Redetermination-Prospective, Price Redetermination-Prospective, Prospective Price Redetermination,

J. Fixed-Ceiling-Price Contract with Retroactive Price Redetermination. Nine sources were used to find the attributes in Table 10 (5:17,042, 8, 9:1-21, 16:70, 18:48, 24:274, 25:3-18, 27:30, 31:233).

TABLE 10

ATTRIBUTES FOUND FOR  
FIXED-CEILING-PRICE CONTRACT WITH  
RETROACTIVE PRICE REDETERMINATION

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Price adjusted after performance within ceiling	100%
Cost responsibility negotiated at time of redetermination	22%
Requires judgmental evaluation of contractor performance	22%

The synthesized definition became:

FIXED-CEILING-PRICE CONTRACT WITH RETROACTIVE PRICE  
REDETERMINATION: A fixed-price redetermination contract  
that provides for a price adjustment, within an established  
ceiling, after contract performance.

FAR reference: 16.206-1

Synonyms: Fixed-Price with Redetermination-Retroactive,  
Fixed-Price with Retroactive Redetermination, Price  
Redetermination-Retroactive, Retroactive Price  
Redetermination, Fixed-Price Redeterminable-Retroactive

Notes: None

Thirty-three respondents agreed with the definition presented in the written survey, while two disagreed and seven had no comments. This definition had an agreement rate of about 79%. Two comments were provided by the Fellows.

Other. The two comments were:

- Needs to describe the criteria for redetermination
- An adjustable price is not "fixed"

Synonym List. Thirty-two respondents agreed with the list of synonyms. One disagreed and six had no comments. The one comment was the same one regarding the previous contract type. The Fellow felt that the first and last synonyms were redundant.

Proposed Definition. The definition remains unchanged, and the synonym list is put in alphabetical order.

FIXED-CEILING-PRICE CONTRACT WITH RETROACTIVE PRICE  
REDETERMINATION: A fixed-price redetermination contract  
that provides for a price adjustment, within an established  
ceiling, after contract performance.

FAR reference: 16.206-1

Synonyms: Fixed-Price Redeterminable-Retroactive, Fixed-Price with Redetermination-Retroactive, Fixed-Price with Retroactive Redetermination, Price Redetermination-Retroactive, Retroactive Price Redetermination

K. Cost-Reimbursement Contract. The attributes found in Table 11 were gathered from seven sources during the literature review (2:4-15, 4-16, 5:17, 043, 9:B-4, 16:45, 19:32, 23:24, 25:3-20).

TABLE 11

ATTRIBUTES FOUND FOR  
COST-REIMBURSEMENT CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Provides payment of cost incurred during contract performance	71%
Costs are prescribed or permitted	71%
Payment of allowable costs	57%
Contractor may not exceed cost ceiling (except at own risk) without CO approval	43%
Payment of allowable, allocable, and reasonable costs	29%
Establishes total cost estimate to establish cost ceiling, and a basis for obligating funds	29%
Contractor not required to complete performance within cost estimate	14%
Family of pricing arrangements	14%

After incorporating the decision rules, the definition became:

COST-REIMBURSEMENT CONTRACT: A contract type that provides the payment of allowable costs incurred during contract performance to the extent that these costs are permitted in the contract.

FAR reference: 16.301-1

Synonyms: None

Notes: 43% - contractor may not exceed cost ceiling (except at own risk) without CO approval

29% - payment of allowable, allocable, and reasonable costs

29% - establishes total cost estimate to establish cost ceiling, and a basis for obligating funds

Twenty-six respondents agreed with the definition for an agreement rate of about 62%. The other 16 disagreed.

Rewrite. Four respondents felt that the term "allowable" was redundant with the phrase at the end of the definition. The researcher agreed and updated the definition accordingly. Other comments included:

- Cost reimbursement contract should be Cost Reimbursement Type contract
- Should be "A family of contract types"
- Should be "allowable actual costs"
- insert "for" after "provides"
- replace "in" for "by"

Add Attribute. There were six different attributes brought out of the survey that were requested to be included in the definition. Four respondents wanted the note regarding the payment of "allowable, allocable, and reasonable costs", three wanted "payment of fee", and two suggested including the cost ceiling. The other attributes had one request each. These were:

- Add a sentence on LOC clause or funding limitations
- allocable costs .
- need to distinguish between term and completion forms

None of attributes listed above were incorporated in the proposed definition.

Synonym List. Twenty-one respondents agreed with the lack of synonyms. Seven disagreed and proposed "Cost type Contract", "Cost Plus", and "Reimbursement Contract" as synonyms. The other 14 had no comments.

Proposed Definition. The researcher agreed with some of the comments provided regarding rewriting the definition for clarity and conciseness. The proposed definition became:

COST-REIMBURSEMENT CONTRACT: A contract type that provides for the payment of costs incurred during contract performance to the extent that these costs are allowable by contract terms.

FAR reference: 16.301-1

Synonyms: Cost Plus, Cost Type, Reimbursement

L. Cost Contract. This contract type was reviewed in fifteen sources to generate Table 12 (1:13, 2:4-16, 5:17, 043, 7:181, 8, 9:1-29, 15:33, 16:43, 18:49, 19:38, 24:276, 25:3-20, 27:32, 29:331, 31:234). The use of the decision rules led to the following synthesized definition:

COST CONTRACT: A cost-reimbursement contract that provides no fee.

FAR reference: 16.302

Synonyms: None

Notes: None

TABLE 12  
ATTRIBUTES FOUND FOR  
COST CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Provides payment of allowable costs	67%
No fee	67%
Payment of allocable costs	27%
Payment of reasonable costs	7%

Thirty-five respondents agreed with the definition presented in the survey for an agreement rate of over 83%. Five disagreed with the definition, and two had no comment.

Rewrite. Two comments were provided. One was to insert the word "type" after "reimbursement." The researcher did not feel this was needed. The other comment was to rewrite the definition so it reads "the contractor receives no fee." Again, the researcher felt this was not needed.

Synonym List. Half of the respondents believed that there was no synonym for this contract type. Seven believed that there were, and 14 had no comment. The list of additions was quite extensive: Cost-No Fee, Cost Only, No Fee Cost Reimbursement, Cost Reimbursement without Fee, No Fee Cost Type, and No Fee.

Proposed Definition. The definition presented in the survey had the highest agreement rate among the contract

type definitions in this study. No changes or updates were made.

COST CONTRACT: A cost-reimbursement contract that provides no fee.

FAR reference: 16.302

Synonyms: Cost-No Fee, Cost Only, Cost Reimbursement without Fee, No Fee, No Fee Cost Reimbursement, and No Fee Cost Type.

M. Cost-Plus-Award-Fee Contract. Table 13 was generated after reviewing 14 sources (1:13-14, 2:4-17, 5:17, 044, 17, 049, 8, 9:1-25, 16:44, 18:48, 19:42, 23:26, 24:293, 25:3-23, 27:37, 29:332, 31:235).

TABLE 13  
ATTRIBUTES FOUND FOR  
COST-PLUS-AWARD-FEE CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Base fee fixed at inception	93%
Award fee	86%
Award fee determined unilaterally by Gov't evaluation	79%
Stated criteria	50%
Gov't determination not subject to Disputes clause	43%
Award fee may be paid in whole or in part	36%
Base fee NTE 3% of estimated cost	24%
No formula for final profit	7%
Target cost established	7%
Award fee determined by the CO	7%

Applying the decision rules led to the following definition:

COST-PLUS-AWARD-FEE CONTRACT: A cost-reimbursement contract that provides the contractor two fees: 1) a base fee fixed at contract award with a not to exceed value of 3% of the estimated cost, and 2) an award fee determined unilaterally by the Government's subjective evaluation of the contractor's performance in terms of stated criteria.

FAR reference: 16.404-2

Synonyms: None

Notes: 43% - the Government determination is not subject to the Disputes clause

36% - award fee may be paid in whole or in part

An error was caught by the researcher after the definition was sent out to the sample group. The attribute "base fee NTE 3% of estimated costs" should not have been included in the synthesized definition because its frequency rate was below the threshold.

Fifteen respondents agreed with the definition, while 26 disagreed, and one had no comment. The agreement rate of 36% was the lowest in the study.

The majority of the disagreement was related to the base fee. Thirteen of the respondents disagreed with the 3% base fee limit, and 6 respondents added the comment that the base fee may be negotiated at zero (0%).

Rewrite. Six of the Fellows commented that the base fee may be negotiated at 0%. One of them proposed that the phrase "may provide" replace the word "provide." One Fellow wanted the word "contractually" before "stated." And another Fellow wanted the word "type" after "contract." The

first two comments were incorporated in the proposed definition.

Add Attribute. Six respondents suggested adding the note about the Disputes clause. The researcher thought this was an important attribute that should of been added. However, because of the relatively low frequency rate from the Fellows (14%), it was not added. The other note presented in the survey, "Award fee may be paid in whole or in part", received two recommendations. This too was not added because of the low response. Two Fellows wanted the definition to state the range of the fees. Again, the low frequency rate did not merit the addition.

Delete Attribute. As stated earlier, a research error was found in synthesizing the definition. Thirteen Fellows disagreed with the 3% base fee limit which should not have been there in the first place. This was deleted from the proposed definition. Another attribute that brought comments was the use of the term "subjective" in describing the Government's evaluation of the contractor's performance. Two respondents noted that the criteria used in the evaluation can be both objective and subjective. This attribute was not deleted because of the low frequency rate.

Synonym List. Twenty-four respondents agreed with the synonym "non-list", while three disagreed. Fifteen Fellows had no comment. Two synonyms were suggested for review: Award fee, and CPAF.

Proposed Definition. The researcher erred in synthesizing the definition. An attribute was inadvertently included. Thirteen Fellows caught the error by disagreeing with the 3% base fee limit. Although the frequency rate was not enough to merit the change according to the decision rules, the researcher felt it should be deleted; it should not have been there in the first place. The two comments clarifying the definition were also used.

COST-PLUS-AWARD-FEE CONTRACT: A cost-reimbursement contract that may provide the contractor two fees: 1) a base fee fixed at contract award, and 2) an award fee determined unilaterally by the Government's subjective evaluation of the contractor's performance in terms of contractually stated criteria.

FAR reference: 16.404-2  
Synonyms: Award Fee, CPAF

N. Cost-Plus-Fixed-Fee Contract. The attributes listed in Table 14 were found after reviewing 16 sources (1:13, 2:4-17, 5:17,044, 7:182, 8, 9:1-26,1-27, 15:33, 16:45, 18:49, 19:42, 23:24, 24:276-277, 25:3-20, 27:35, 29:331, 31:235). The synthesized definition became:

COST-PLUS-FIXED-FEE CONTRACT: A cost-reimbursement contract that provides a fee to the contractor that once negotiated will not vary with actual costs.

FAR reference: 16.306  
Synonyms: None  
Notes: None

Twenty-six respondents agreed with the definition for an agreement rate of about 62%, while 16 disagreed.

TABLE 14  
ATTRIBUTES FOUND FOR  
COST-PLUS-FIXED-FEE CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Fixed fee	100%
Once negotiated, fee doesn't vary with actual costs	50%
Fee may change with changes in work	25%
Two types: Completion and Term	13%
Fee expressed as percentage of estimated cost at time of contract award	6%

Rewrite. The comments provided were:

- Cost-Reimbursement should be Cost-Reimbursement type
- insert commas before and after "once negotiated"
- insert "generally" after negotiated
- delete "actual", delete "s" in costs, and add "incurred"
- replace "vary with costs" with "change"

Add Attribute. Five of the eight comments dealt with the attribute of "no changes to the work, or scope." Another Fellow offered this comment to be added to the definition: "...which are limited by the amount funded and the estimated cost set forth in the contract until such time as the contract is adjusted" (Anon). The other comment dealt with the need to distinguish between Term and

Completion contracts. These comments were not used in the proposed definition.

Delete Attribute. Two respondents wanted the phrase "once negotiated" removed from the definition. Because of the low frequency rate, the attribute remained in the definition.

Synonym List. Twenty-two respondents agreed with the lack of synonyms, while six disagreed and 14 had no comment. Additions to the list provided were CPFF, Fixed Fee, and Cost-Reimbursement with Fixed Fee.

Proposed Definition. Incorporating some the comments to improve clarity, the proposed definition is:

COST-PLUS-FIXED-FEE CONTRACT: A cost-reimbursement contract that provides a fee to the contractor that, once negotiated, will not vary with cost incurred.

FAR reference: 16.306

Synonyms: Cost-Reimbursement with Fixed Fee, CPFF, Fixed Fee

O. Cost-Plus-Incentive-Fee Contract. Table 15 lists the attributes found. Sixteen sources were used in defining this contract type (1:48, 2:4-16, 5:17,049, 7:183, 8, 9:1-22, 15:33, 16:45, 18:48, 19:42, 23:24, 24:278, 25:3-21-3-23, 27:34, 29:332, 31:234). Applying the decision rules led to the following:

COST-PLUS-INCENTIVE-FEE CONTRACT: A cost-reimbursement contract in which a fee is provided to the contractor. The fee, within a stated range, is adjusted by a formula based on the variance between total allowable costs and target cost.

FAR reference: 16.404-1

Synonyms: None

Notes: 44% - target cost, target fee, and fee adjustment formula negotiated at outset

31% - provision for fee adjustment is designed to increase performance efficiency

TABLE 15

ATTRIBUTES FOUND FOR  
COST-PLUS-INCENTIVE-FEE CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY</u>
	<u>RATE</u>
Fee adjusted by formula based on relationship which total allowable costs bear to target cost	94%
Min/max fee negotiated initially	69%
Target cost, target fee, and fee adjustment formula negotiated at outset	44%
Provision for fee adjustment designed to increase performance efficiency	31%
Cost ceiling unstated at award	19%
Independent variables may be used	19%
Performance incentives must be clearly spelled out and objectively measured	6%

Twenty-six respondents agreed with the definition presented in the survey for an agreement rate of about 62%. Fifteen disagreed and one had no comment.

Rewrite. There were six comments in this category.

- Should be Cost-Reimbursement type
- replace "fee is provided to the contractor" with "target fee is mutually established"

- insert "within a stated range" in the first sentence
- replace fee with "original contract fee"
- replace "allowable" with "incurred"
- insert "incurred" before "allowable"

The comments did not seem to improve the definition, so they were not added.

Add Attribute. Three respondents wanted to include the note about target cost, target fee, and the adjustment formula into the definition. No one wanted to add the second note. Two respondents commented that the contract may be adjusted for other things besides cost, such as performance and schedule. One of them wanted to rewrite the second sentence to read, "The fee, within a stated range, is adjusted by contract results as compared to targets" (Anon). The other one proposed adding a third sentence that read, "Sometimes, formula includes consideration of performance and delivery" (Anon). These attributes were not included in the definition because of the low frequency rate.

Synonym List. Twenty-two respondents agreed with the "non-list", while six disagreed and 14 had no comment. The six who disagreed provided these additions: Incentive, CPIF, and Cost-Reimbursement-Plus Incentive Fee.

Proposed Definition. The definition presented in the survey remains unchanged. The synonym list is updated to include the recommendations.

COST-PLUS-INCENTIVE-FEE CONTRACT: A cost-reimbursement contract in which a fee is provided to the contractor. The fee, within a stated range, is adjusted by a formula based on the variance between total allowable costs and target cost.

FAR reference: 16.404-1

Synonyms: Cost-Reimbursement-Plus Incentive Fee, CPIF, Incentive

P. Cost-Sharing Contract. The attributes found in Table 16 were discovered after reviewing 15 sources (1:13, 2:4-16, 5:17,044, 7:183, 8, 9:1-29, 15:33, 16:46, 18:49, 19:43, 24:278, 25:3-23, 27:33, 29:331-332, 31:234). Keeping two of the attributes, the definition became:

COST-SHARING CONTRACT: A cost-reimbursement contract in which there is no fee, and the contractor is reimbursed for an agreed portion of allowable costs.

FAR reference: 16.303

Synonyms: None

Notes: None

TABLE 16

ATTRIBUTES FOUND FOR  
COST-SHARING CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY</u> <u>RATE</u>
Reimbursed for agreed portion of allowable costs	73%
No fee	53%
Contractor assumes some cost	13%
Agreed portion of allocable cost	7%
Agreed portion of reasonable cost	7%
Contractor forgoes profit	7%

Thirty-two respondents agreed with the definition, for an agreement rate of about 76%. Nine disagreed, and one had no comment. The majority of the comments dealt with rewriting the definition.

Rewrite. Seven comments were provided, but were not used by the researcher:

- Should be Cost-Reimbursement type
- insert "incurred" after "allowable"
- replace "allowable" with "incurred"
- replace "is reimbursed for" with "pays an"
- insert the word "only" after "reimbursed"
- replace the last phrase with "and where parties share costs on an agreed to formula"
- replace the last phrase with "the contractor and the customer each pay specified proportions of the allowable costs" (Anon).

Add Attribute. One comment was provided by the respondents. One of them wanted "allocable costs" included in the definition. With a frequency rate of 2%, this attribute was not added.

Synonym List. Twenty-four respondents agreed with the lack of a synonym for this contract type, while one provided "Cost Share" and fifteen had no comment.

Proposed Definition. Because of the high agreement rate, the definition remains the same, with only the synonym list being updated.

COST-SHARING CONTRACT: A cost-reimbursement contract in which there is no fee, and the contractor is reimbursed for an agreed portion of allowable costs.

FAR reference: 16.303  
Synonyms: Cost Share

Q. Indefinite-Delivery Contract. The attributes found are listed in Table 17. Six sources were used to gather the attributes (7:340, 16:86, 24:283, 5:17,059, 8, 15:34). By incorporating all but the last attribute, the synthesized definition became:

INDEFINITE-DELIVERY CONTRACT: A fixed-price contract in which the exact time of delivery is not known at contract award. The contract has a fixed period of time, and deliveries are scheduled by the placement of orders.

FAR reference: 16.501  
Synonyms: None  
Notes: None

Twenty-nine respondents agreed with the definition presented in the survey, for an agreement rate of over 69%. Six disagreed with the definition, and seven had no comment.

TABLE 17  
ATTRIBUTES FOUND FOR  
INDEFINITE-DELIVERY CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Delivery orders placed	100%
Fixed period of time	100%
Exact time of delivery is not known	83%
Fixed-price contract	67%
Delivery not known at time of contract award	67%
Definite item of supply or service	17%

Rewrite. One respondent wanted to replace "fixed period of time" with "fixed ordering period." This clarifies that the fixed time period is for ordering purposes. This comment was used to update the definition.

Add Attribute. An interesting comment was provided by one of the respondents. He wanted to delete "fixed-price and replace with "family of contracts." He stated that "although FAR limits these contracts to fixed price payment arrangements, Cost-Plus-Fixed-Fee payment arrangements have been used in Government and commercial contracts" (Anon). His experience with these contracts have taken him beyond the limits of the FAR. For this study, this comment was not used to update the definition.

Synonym List. Twenty-one respondents agreed with the "non-list", while three disagreed and 18 had no comments. "Fixed Quantity Indefinite Delivery", "Fixed Unit Price", and "Call" were provided as possible synonyms.

Proposed Definition. Using the comment of replacing "period of time" with "ordering period", the proposed definition is

INDEFINITE-DELIVERY CONTRACT: A fixed-price contract in which the exact time of delivery is not known at contract award. The contract has a fixed ordering period, and deliveries are scheduled by the placement of orders.

FAR reference: 16.501

Synonyms: Call, Fixed Quantity Indefinite Delivery, Fixed Unit Price

R. Definite-Quantity Contract. Seven sources were used to create Table 18. The table lists the attributes

describing this contract type (5:17,051, 7:207, 8, 16:86, 24:284, 27:42, 31:236).

TABLE 18

ATTRIBUTES FOUND FOR  
DEFINITE-QUANTITY CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Provides for definite quantity of specified supplies or services	100%
Fixed period	100%
Delivery or performance upon order	100%

Using all the attributes, the definition sent out in the survey was:

DEFINITE-QUANTITY CONTRACT: An indefinite-delivery contract that provides for a predetermined quantity of specific supplies or services.

FAR reference: 16.502

Synonyms: None

Notes: None

Thirty-one respondents agreed with the definition, while six disagreed and five had no comments. This led to an agreement rate of almost 74%.

Rewrite. One Fellow wanted to replace "predetermined" with "minimum" in describing the quantity of supplies/services to be provided. Another Fellow simply stated that the definition "was confusing." Two respondents wanted to reiterate that deliveries are scheduled by orders. This attribute was already included in the Indefinite-

Delivery contract definition, so it was not included in the proposed definition.

Synonym List. Twenty-two agreed that there were no synonyms for this contract type, while three disagreed and seventeen had no comment. The synonym provided was IDDQ.

Proposed Definition. With nearly 74% of the Fellows agreeing with the definition as presented in the survey, no changes were made. The proposed definition is:  
DEFINITE-QUANTITY CONTRACT: An indefinite-delivery contract that provides for a predetermined quantity of specific supplies or services.

FAR reference: 16.502  
Synonyms: IDDQ

S. Indefinite-Quantity Contract. Table 19 was generated after reviewing seven sources (5:17,052, 7:340, 8, 16:87, 24:284, 27:44, 31:236). The decision rules led to this definition:

INDEFINITE-QUANTITY CONTRACT: A indefinite-delivery contract which provides an indefinite quantity, within stated limits, of specified supplies or services. The Government is obligated to order at least the stated minimum quantity per order until the contractor has delivered the stated maximum quantity.

FAR reference: 16.504  
Synonyms: None  
Notes: 29% - contract may specify max/min quantity per order

Twenty-seven respondents agreed with the definition, for an agreement rate of about 64%. Ten disagreed, while five had no comment.

TABLE 19  
ATTRIBUTES FOUND FOR  
INDEFINITE-QUANTITY CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Stated limits	100%
Indefinite quantity of specified supplies or services	86%
Minimum Gov't obligation	57%
Contract may specify max/min quantity per order	29%
Designated activities	14%
Minimum quantity must be more than nominal, but not exceed the amount Gov't is fairly certain to order	14%

Rewrite. One respondent caught a grammar error: "A indefinite-delivery contract" should of been "An indefinite-delivery contract." This was corrected in the proposed definition. One respondent wanted the "minimum order" reference in the last sentence removed since it was redundant with the phrase "stated limits" in the first sentence. The researcher agreed and the update was made.

Add Attribute. One respondent wanted to add that the contract specifies a maximum quantity which the contractor is obligated to deliver. Since this was recommended only once, it was not used in the proposed definition.

Delete Attribute. Three respondents had trouble with the last sentence. One wanted the entire sentence

deleted, while two wanted the last phrase to be deleted.

The sentence was not removed.

Other. There was some confusion between quantity per order and quantity per contract. One respondent commented that he was confused, and three others wanted the definition to include that the contract may specify a minimum quantity per contract when the definition already states a minimum quantity per order.

Synonym List. Twenty-four respondents agreed that there are no synonyms for this contract type. Two disagreed, and 16 had no comments. One synonym was provided, IDIQ.

Proposed Definition. Applying the "Rewrite" comments, the proposed definition is:

INDEFINITE-QUANTITY CONTRACT: An indefinite-delivery contract which provides an indefinite quantity, within stated limits, of specified supplies or services. The Government is obligated to order until the contractor has delivered the stated maximum quantity.

FAR reference: 16.504

Synonyms: IDQ

T. Requirements Contract. Seven sources were used to generate Table 20 (5:17,051, 7:589, 8, 16:87, 24:284, 27:43, 31:236). Using all of the attributes, the definition synthesized was:

REQUIREMENTS CONTRACT: An indefinite-delivery contract that provides all actual purchase requirements of specific supplies or services.

FAR reference: 16.503

Synonyms: None

Notes: None

TABLE 20  
ATTRIBUTES FOUND FOR  
REQUIREMENTS CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Fills all actual purchase requirements	100%
Specified contract period	100%
Specific supplies and services	86%
Designated activities	86%
Placement of orders	86%

Twenty-six respondents agreed with the definition, for an agreement rate of over 62%. Eleven Fellows disagreed, while five had no comment.

Rewrite. One respondent wanted to insert "for filling" after "provides." The researcher agreed with this and used it to update the definition.

Add Attribute. Three respondents wanted to include in the definition that the supplies and services are procured from the contracted source. Another Fellow wanted to add that the purchaser is obligated to order all the specified goods or services.

Delete Attribute. One respondent wanted to delete "all actual purchases."

Other. Two respondents simply commented that the definition was too brief, but they didn't offer any suggestions.

Synonym List. Twenty-two respondents agreed that there was no synonym for this contract type, while eighteen had no comment. One of the two who disagreed suggested adding "Call".

Proposed Definition. Using the "Rewrite" comment, the proposed definition is

REQUIREMENTS CONTRACT: An indefinite-delivery contract that provides for filling all actual purchase requirements of specific supplies or services.

FAR reference: 16.503

Synonyms: None

U. Basic Agreement. The attributes listed in Table 21 was found after reviewing eight sources (5:17,055, 7:32, 15:34, 16:18, 19:20, 24:282, 27:46, 31:238).

TABLE 21  
ATTRIBUTES FOUND FOR  
BASIC AGREEMENT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Applicable to future procurements	100%
Between a procuring activity and contractor	88%
Written instrument of understanding	75%
Specific time period	75%
Not a contract on its own	63%
Contemplates separate future contracts that will incorporate the agreed clauses	38%
Does not obligate funds	13%

When the decision rules were applied, the definition was synthesized as:

BASIC AGREEMENT: A written instrument of understanding between a procuring activity and a contractor that sets forth the negotiated contract clauses that are applicable to future procurement between the parties within a specified time period. By definition, a basic agreement is not a contract.

FAR reference: 16.702

Synonyms: None

Notes: 38% - contemplates separate future contracts that will incorporate the agreed clauses

DRM - What exactly is a written instrument of understanding, and what does "contemplates separate future contracts" mean?

Twenty-six respondents agreed with the definition, while 16 disagreed. The agreement rate was about 62%.

Rewrite. Twelve comments were provided by the Fellows. Five of them wanted the term "procurement" plural; to read "procurements", "contracts" or "procurement orders or contracts." The term "procurements" was used in the proposed definition. One Fellow wanted to specify that the Government was one of the procurement parties. This too was included in the proposed definition. The other comments suggested and incorporated were:

- replace "are" with "would be"
- delete "negotiated"

One Fellow suggested inserting the last sentence at the begining of the definition to provide an "immediate warning that this is not a contract" (Anon). The researcher felt this was unnecessary.

Add Attribute. Three Fellows wanted the note regarding future contracts included in the definition. With a frequency rate of 7%, the note was not included. Another Fellow commented that the "contract clauses may be either mandatory or optional or both."

Delete attribute. Three Fellows wanted the last sentence deleted. One said, "It is a contract - a Master Contract - that includes terms and conditions to be referenced on all future orders" (Anon).

Other. One respondent commented on the researcher's question.

I think the idea is, that this is a document which contains too few material terms to legally constitute a valid contract. Each subsequent agreement is a separate contract which will contain all material terms-price, delivery, quantity, etc. (Anon)

Synonym List. Twenty-two respondents agreed there was no synonym for Basic Agreement, while four disagreed and 16 had no comment. Four synonyms were provided: BA, Master contract, Memorandum of understanding, and Letter of intent.

Proposed Definition. After applying the comments, the definition is:

BASIC AGREEMENT: A written instrument of understanding between a procuring activity and a contractor that sets forth the negotiated contract clauses that would be applicable to future procurements by the Government within a specified time period. By definition, a basic agreement is not a contract.

FAR reference: 16.702

Synonyms: BA, Letter of Intent, Master, Memorandum of Understanding

V. Basic Ordering Agreement. Seven sources were reviewed in generating Table 22 (5:17,056, 7:91, 15:35, 16:18, 27:47, 31:238-239).

TABLE 22

ATTRIBUTES FOUND FOR  
BASIC ORDERING AGREEMENT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Description of method for price determination	86%
Description of supplies and services as specific as possible	86%
Specific terms or conditions of delivery or method of determination	71%
Not a contract	71%
Lists authorized activities to issue orders	43%
Does not obligate funds	14%
Agreement	14%

The synthesized definition became:

BASIC ORDERING AGREEMENT: A written instrument of understanding between a procuring activity and a contractor that sets forth the

- 1) specific description of the supplies or services to be furnished or performed,
- 2) methods for price determination, and
- 3) either the specific terms and conditions of delivery or method of determination.

FAR reference: 16.703

Synonyms: None

Notes: 43% - agreement lists authorized activities to issue orders

Thirty-one respondents agreed with the definition, for an agreement rate of about 74%. Ten disagreed and one had no comment.

Rewrite. Two comments were presented. One comment was for the removal of the "s" in "methods." This was done in the proposed definition. The other comment was to add the phrase, "for future orders" in the last characteristic. Future orders are implied in the first characteristic, so this comment was not used.

Add Attribute. Three respondents wanted add that the terms and conditions mentioned in the Basic Ordering Agreement apply to future orders. Again, future orders are implied, so this comment was not used. Two Fellows wanted the note regarding the list of authorized activities to be included, but because of the low frequency rate, the note was not included. Another Fellow suggested adding two more characteristics: 4) provisions for ordering, and 5) terms and conditions and special provisions. This too was not added.

Delete Attribute. Two respondents wanted the term "specific" deleted. They felt that the descriptions are usually general in nature. Another Fellow wanted the second characteristic deleted. With a low percentage of the respondents requesting the deletion, these were not deleted.

Synonym List. Twenty-two agreed with the "non-list", while four disagreed and sixteen had no comment. The synonyms added were BOA, Master, Omnibus, and Open.

Proposed Definition. After the removal of the "s" in "methods", the proposed definition is

BASIC ORDERING AGREEMENT: A written instrument of understanding between a procuring activity and a contractor that sets forth the

- 1) specific description of the supplies or services to be furnished or performed,
- 2) method for price determination, and
- 3) either the specific terms and conditions of delivery or method of determination.

FAR reference: 16.703

Synonyms: BOA, Master, Omnibus, Open

W. Open Contract. This contract type was the most confusing to define after the literary search. Three sources were used, but because one source had two definitions, a total of four definitions were used to create Table 23 (7:487, 19:145, 24:284).

TABLE 23

ATTRIBUTES FOUND FOR  
OPEN CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Sets forth general provisions of supplies and services	100%
Placement of orders	75%
Life of contract	50%
Not specific as to quantities/time	50%
Type of supplies/services and prices known	25%
Type of supplies/services and prices unknown	25%
Gov't not obligated to place any orders	25%

The definition sent out became:

OPEN CONTRACT: A contract which sets forth the general provisions of supplies and services that may be delivered or performed during a stated period of time. The quantity and delivery of the supplies or services are determined by the placement of orders.

FAR reference: None

Synonyms: Open end, Master, Task order, Task

Notes: 25% - type of supplies/services and prices known  
25% - type of supplies/services and prices unknown  
25% - Government not obligated to place any orders  
DRM - Please help. This sounds like a basic  
agreement or an indefinite-delivery contract,  
and look at this mess provided by the literary  
sources.

Thirteen respondents agreed with the definition presented in the survey, while 23 disagreed and six had no comment. The definition had the lowest agreement rate in the study with 31%.

Add Attribute. One respondent wanted to add that the prices of the supplies/services are determined by order placement. With the low frequency rate, this attribute was not included. Another respondent took the first two notes from the survey definition and combined them, and requested that "the type of supplies/services and prices may or may not be specified, at the option of the contracting parties" be added.

Other. This was a controversial contract type among the respondents as well. Seven Fellows recommended that this contract type be deleted. Another four said it "sounds like a BOA", while four others said that it was a BOA, and another one said it sounds like a indefinite-delivery contract. One Fellow made the comment to rename it

"Task Order Contract", but another Fellow specifically suggested to delete "Task Order" from the synonym list. In helping the researcher, four Fellows attempted to shed more light on this contract type. One said, "Open contract can mean several things but most commonly means a contract that has not been fulfilled" (Anon). Another said,

This I believe embrace a subject silent in the FAR which is designed or used to facilitate the acquisition of support services on a quick turnaround basis.  
(Anon)

The third Fellow suggested leaving the definition generic.

Here you can provide a service by standardizing the definition. I recommend that this definition remain generic and that various subtypes be defined, ie Open Contract-Fixed Price (where it becomes an Indefinite-Delivery contract without an obligation to order), or Open Contract-Price Redetermination (where it becomes like a BOA without a commitment to order and an opportunity to redetermine prices). (Anon)

And the fourth Fellow related his personal experience by stating,

We call these Master Agreements, since one party offers no consideration. The Gov't agrees to compete its future requirements in a stated area among all firms who successfully competed for a Master Agreement. The Agreement includes a general description of the work that may be contracted for and the applicable terms and conditions. Competition results in a Master Agreement Order contract which incorporates the Master Agreement. (Anon)

Synonym List. In addition to BOA, Master Agreement, and Task Order, Indefinite-Delivery Contract and Call Contract were suggested. Also, a Fellow recommended the deletion of "Open" and use "Master Contract."

Proposed Definition. The definition is unchanged because of the lack of consensus, one way or the other.

OPEN CONTRACT: A contract which sets forth the general provisions of supplies and services that may be delivered or performed during a stated period of time. The quantity and delivery of the supplies or services are determined by the placement of orders.

FAR reference: None

Synonyms: BOA, Call, Master, Master Agreement, Open end, Task, Task Order

X. Fixed-Rate Contract. Only one source used this contract type to describe the family of the Labor-Hour contract and the Time and Materials contract (29:327). The attributes from the source is listed in Table 24.

TABLE 24

ATTRIBUTES FOUND FOR  
FIXED-RATE CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY</u> <u>RATE</u>
Final payment not known until performance completion	100%
Final payment not dependent upon actual costs incurred	100%
Reimbursement rate for direct labor established at outset	100%
Rate inclusive of direct labor, overhead charges, G & A, and profit	100%

The definition sent out was:

FIXED-RATE CONTRACT: A contract that establishes at contract award a reimbursement rate for labor, and may provide the reimbursement of material costs. The rate is inclusive of direct labor, overhead, general and administrative expenses, and profit.

FAR reference: None

Synonyms: None

Notes: DRM - definition came from only one source

Nineteen respondents agreed with the definition, for an agreement rate of about 45%. Fifteen disagreed, and eight had no comment.

Rewrite. Four comments were provided by the Fellows. They were:

- insert "labor" after second "rate"
- replace "the" with "for"
- replace "is inclusive of" with "includes"
- replace "reimbursement rate for labor" with "fixed price per unit of labor"

All four were included in the proposed definition.

Other. Five Fellows commented that this definition sounded like a Time and Materials contract, while three of them thought the definition fits a Labor Hour contract. Another Fellow thought this contract type could be included as a synonym for "Open Contract", and be renamed as "Task Order Contract-Support Services." Another Fellow made the general comment that there can be different rates for labor.

There can be different fixed rates for each of specified labor categories (e.g. one fixed rate for Engineer, another for Senior Engineer, etc.). Also, clerical, data entry costs may or may not be folded into fixed rate. (Anon)

Synonym List. Twelve respondents agreed with the "non-list", while nine disagreed, and 21 had no comment. The suggestions to the list included Unit Price, Unit Rate,

Time and Material, Equivalent-hour, Fixed Rate Indefinite Quantity, and Labor hour. Time and Material contracts, and Labor-hour contracts are types of Fixed-Rate contracts, so they were not included in the synonym list.

Proposed Definition. The "Rewrite" comments were applied. The researcher also inserted the term "type" after "contract" to highlight that this contract type refers to a family of contracts. The definition is then written as:

FIXED-RATE CONTRACT: A contract type that establishes at contract award a fixed price per unit of labor, and may provide for the reimbursement of material costs. The labor rate includes direct labor, overhead, general and administrative expenses, and profit.

FAR reference: None

Synonyms: Equivalent-Hour, Fixed-Rate Indefinite Quantity, Unit Price, Unit Rate

Y. Labor-Hour Contract. Eleven sources were used to create Table 25 (1:14, 2:4-18, 5:17,053, 8, 9:1-30, 16:95, 18:49, 19:89, 24:279, 27:41, 31:237). Using all the attributes, the synthesized definition was:

LABOR-HOUR CONTRACT: A fixed-rate contract in which material cost is not reimbursed.

FAR reference: 16.602

Synonym: Rate per hour

Notes: None

The definition was built on the Fixed-Rate Contract definition. That is the reason why the attribute "material not involved" was translated to "material cost is not reimbursed."

TABLE 25  
ATTRIBUTES FOUND FOR  
LABOR-HOUR CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY RATE</u>
Gov't pays a fixed rate for negotiated number of labor hours	82%
Variant of T & M	82%
Material not involved	82%
Fixed rate includes overhead and profit	73%

Twenty-seven respondents agreed with the definition, for an agreement rate of about 64%. Thirteen disagreed, while two had no comment. All the suggestions fell in the "Rewrite" category.

Rewrite. Apparently, the Fellows did not like the translation. They were all about rewriting the last phrase to reiterate that material is not utilized during contract performance.

Synonyms List. Twenty-eight respondents agreed with the synonym list, while seven disagreed, and seven had no comment. The suggestions included: Labor Rate, Fixed Labor Rate, Body Shop, Man Hour, and Rate per Day.

Proposed Definition. After applying the comments provided, the proposed definition is:

LABOR-HOUR CONTRACT: A fixed-rate contract in which material is not utilized during contract performance.

FAR reference: 16.602

Synonym: Body Shop, Fixed Labor Rate, Labor Rate, Man Hour, Rate per Day, Rate per Hour

Z. Time-and-Materials Contract. Table 26 lists the attributes found for this contract type.

TABLE 26

ATTRIBUTES FOUND FOR  
TIME-AND-MATERIALS CONTRACT

<u>ATTRIBUTE</u>	<u>FREQUENCY</u> <u>RATE</u>
Material costs are reimbursed	92%
Direct labor hours at specified fixed hourly rates	83%
Material handling costs may also be reimbursed	42%

Twelve sources were used (1:14, 2:4-17-4-18, 5:17,053, 7:704, 8, 9:1-30, 16:167, 19:148, 24:279, 27:40, 31:236-237).

The synthesized definition became:

TIME-AND-MATERIALS CONTRACT: A fixed-rate contract which provides the reimbursement of material at cost.

FAR reference: 16.601

Synonyms: None

Notes: 42% - material handling costs may be also be reimbursed

Twenty-one respondents agreed with the definition, for an agreement rate of 50%. Seventeen disagreed, while four had no comment.

Rewrite. Four comments dealt with replacing fixed rate contract for labor hour contract. This was not used in the proposed definition.

Add Attribute. Four respondents suggested including the note about material handling costs in the proposed definition. Because of the low frequency rate of about 10%, it was not added. Another respondent added that the contract may allow for a fee in materials. Again, since this was suggested once, it was not included.

Other. A Fellow provided the comment that, "Time and material contracts exist in the commercial world where profit is earned on both time and material" (Anon). This was not used, not only because it was a single suggestion, but because the scope of this effort is with Government contracting.

Synonym List. Twenty respondents agreed that there was no synonym for this, while six disagreed, and 16 had no comment. T&M, and fixed rate were suggested, but because fixed rate is the family name of the contracts, it was not included.

Proposed Definition. The definition remains the same, except for the synonym list update.

TIME-AND-MATERIALS CONTRACT: A fixed-rate contract which provides the reimbursement of material at cost.

FAR reference: 16.601  
Synonyms: T&M

## Overview

The last section of the written survey provided the respondents the opportunity to comment on the entire list of contract types. Two questions were asked:

1) Do you believe that each of the contract types in this survey are valid government contract types and should be included in an NCMA published dictionary of contracting terms?

2) Are there any other contract types that should be included in the dictionary. If so, please list them.  
NOTE: Letter contract was not defined in this effort because it has been previously defined in an earlier thesis.

Question #1. The purpose of the question was to verify that the contract types defined in this effort were indeed valid. Nineteen respondents said YES, while 19 said NO, and four had no comment. The majority of comments dealt with deleting one or more contract types. The contract types suggested for deletion are listed below, along with the number of respondents recommending the deletion.

- Open contract (8)
- Fixed-Rate contract (5)
- Firm-Fixed-Price Award Fee contract (2)
- Cost contract (1)
- Indefinite-Delivery contract (1)

Since the number of respondents requesting the deletion of each contract type was relatively small, they were not deleted.

Other comments were also provided. One Fellow stated that Price Redetermination contracts are almost extinct.

Two others noted that BA and BOA are not technically contracts. Three felt there was a great deal of redundancy. One of them thought the survey discussed forms of agreements that may fall under one or more contract type.

In my experience, contract type is determined by the payments clause or provision applicable to line items. You have involved many forms of agreements that can fall under one or another contract type. The real question is how is the final price determined and payment made. (Anon)

Question #2. The purpose of this question was to identify any other valid government contract types that should be included in the NCMA dictionary. Fourteen Fellows replied YES, while 21 said NO, and seven had no comment. In creating the survey, the researcher did not state that the contract types in the research pertained to pricing arrangements or contract form. One of the respondents recognized this and said, "These contract definitions are limited to pay arrangements. Other contract types such as supply, service, research, and delivery order are excluded" (Anon). The other 11 respondents suggested defining the following contract types:

- Bi-lateral contract modifications
- CPFF-C (Completion)
- CPFF-T (LOE)
- CPIF with Award Fee
- Cooperative Agreement
- Cost plus fixed fee time and material
- Cost plus percentage of cost

- Delivery order
- Multiple incentive contract
- Multiyear contract
- Not-to-Exceed contracts
- Performance incentive contract
- Task order
- Total package contract

#### Summary

This chapter presented the results of the literature review and the written survey that led to the proposed list of contract type definitions found in Appendix C. Forty-two surveys were evaluated for comments. Moderate consensus was achieved among the Fellows in evaluating the definitions. The term "Open Contract" was confusing to the researcher and the Fellows. The Fellows suggested that other contract types should be defined and added to the NCMA dictionary.

## V. Conclusions and Recommendations

This chapter provides the conclusions and recommendations of the thesis. First, the research questions identified in Chapter One are answered. Then general comments regarding the methodology used to create the proposed definitions of the 26 contract types are given. Next, recommendations are presented regarding the results of the thesis and areas for follow-on research. Finally, the chapter closes with a summary.

### Answers to Research Questions

This section answers the research questions posed in Chapter One. The questions are restated, followed by the proposed answers.

#### A. Describe how contracts are classified.

Contracts are classified in several ways. After reviewing the literature, the three most common ways are: 1) form and structure; 2) end purpose; and 3) the compensation arrangement between the contractor and the government.

#### B. Identify the various contract types used within the government contracting discipline.

Twenty-six contract types were identified in this effort, staying within the scope of the research. The major families of contract types in this thesis are: 1) Fixed-Price contracts; 2) Cost-Reimbursement contracts; 3) Indefinite-Delivery contracts; 4) Agreements; and 5) Fixed-

Rate contracts. The list of contract types defined is found in Chapter One.

C. Derive the definitions of these contract types as stated in contracting literary sources, and used in actual contracting activities.

After applying the methodology the proposed definitions were generated in Chapter Four and presented in Appendix C.

### Conclusions

This section presents the conclusions derived from the results of the research.

A. The contracting field is a vast one with many areas of expertise. The personnel working in this field have varied experiences. Consensus on term definitions is almost impossible with just one iteration. Many iterations are needed to derive the true, or applied meanings of terms. This thesis effort, along with the past theses, is a step towards consensus, not the achievement of consensus.

B. The abstractness of contract types is relatively low, but there was a wide range of opinions regarding their definitions. From the literary writers to the NCMA Fellows, many attributes were used to describe these supposedly stable vehicles of contracting. However, only a few were unanimously used.

C. The need for a dictionary of acquisition and contracting terms was mixed among the respondents. One wrote, "I think such a dictionary would be very helpful" (Anon). However, another wrote

I think this exercise is not a great idea. If I want a definition of contract types, I use FAR. Beyond that, a contract type can be any hybrid or mix as allowed by FAR. Outside definitions are a waste and a confusion factor. (Anon)

#### General Comments

This section offers general comments regarding the methodology used to synthesize the proposed definitions.

A. The use of pre-established decision rules took the researcher's personal judgement out of synthesizing the definitions. Each comment suggested in the written survey had equal weight; just because one Fellow suggested a particular attribute, it wasn't applied until it was weighed against the other comments pertaining to that attribute. By using decision rules, the methodology placed further responsibility and risk on the respondents to provide proper and accurate feedback.

B. Only a few of the notes listed below the definition were commented on by the respondents. The purpose of listing those attributes was to allow the respondents to review and evaluate them since they were used in the literary sources. It gave the respondents additional information to assist them in their evaluation of the definitions. However, in most cases, that was not done.

C. A response rate of 32.3% from a group of experts in the field of contracting was satisfactory. Although the rate was higher than at least two theses just completed, the expectation of at least a 35% response rate was high.

### Recommendations

The following are recommendations regarding the results of this thesis, and possible areas of follow-on research.

A. Adopt the definitions proposed for the contract types, except for "Open Contract," and include them in the NCMA dictionary of acquisition and contracting terms. The rest of the definitions have moderate agreement on them. They will add to the list of terms already included in the dictionary.

B. Further research is needed to understand what is an "Open Contract." There was much confusion about this contract type, with the researcher and among the Fellows. Consensus was not achieved. Eight Fellows have suggested deleting this, while one raved about it, stating that it addresses a subject silent in the FAR.

C. Continue the NCMA research project by either defining more terms, or distributing terms already defined to the Fellows for a second iteration. To create a dictionary, more terms are needed to be defined. Select terms within a particular block from the NCMA Body of Knowledge. That should help organize your research. From the results of this thesis, there are still many contract types used that should be included in the dictionary. Research the contract types identified by the Fellows, and broaden the scope to include the end purpose contracts. A Fellow recommended expanding the research to include completion and term contracts. Or, take the next step in

achieving consensus. Select a set of terms already defined by the Ryan methodology and distribute them for further comments and feedback. Only then will consensus be realized.

D. Research the concept of contract hybrids. One of the Fellows suggested that contract hybrids exist; contracts that are a blend of various contract types to meet a particular need. Understand what they are, and what are the particular needs that promote their creation.

#### Summary

This chapter offered conclusions and recommendations to the thesis effort. It answered the research questions posed in Chapter One, presented the conclusions derived from the research, provided general comments about the methodology used, and recommended future areas of study. The NCMA research project should continue. With more terms defined, the NCMA dictionary will become a communication tool for the entire contracting community.

Appendix A: Survey Cover Letter



DEPARTMENT OF THE AIR FORCE  
AIR UNIVERSITY  
AIR FORCE INSTITUTE OF TECHNOLOGY  
WRIGHT-PATTERSON AIR FORCE BASE OH 45433-6583

AFIT/LSP (Dr Pursch)

15 June 1990

Participation in Graduate Thesis Research

1. Based upon your knowledge of and proficiency in the procurement discipline, you have been selected to participate in graduate student thesis research. This research supports the development of definitions common to government procurement terminology.
2. The thesis is part of a larger effort, accomplished by both AFIT and Naval PostGraduate School (NPS) students, to develop, through the consensus of professionals, a dictionary of government procurement terms. This dictionary will be published by the National Contract Management Association.
3. Your participation in this project will help professionalize the contracting discipline through the codification of its language. This is your opportunity to make a lasting contribution to our career field.
4. To ensure proper consideration of your comments, please return the attached survey postmarked by 6 July 1990.
5. Thank you in advance for your timely participation in this important research effort.

*William C. Pursch*  
William C. Pursch, PhD  
Professor of Contracting Management

## Appendix B: Contract Type Definition Survey

This survey was created to validate the synthesized definitions of contract types developed through a literature review of government procurement/contracting sources. The definitions are limited to the basic description; applications and limitations are not included.

The survey is divided into three sections. The results of "General Background" will be used to create a profile of the sample group. The second section "Contract Type Definitions" is the collection of twenty-six definitions to be reviewed. "Overview" is the last section and will be used to gather your comments regarding the entire list of contract types.

In defining each contract type, the researcher recorded the frequency rate of each contract type attribute or characteristic used in the literary sources. The following rules were then applied:

- a. Those attributes with a frequency rate of at least 50% were incorporated in the definition.
- b. The attributes with a frequency rate between 25% and 50% were not incorporated. Instead, they are listed after the definition for your review and comment.
- c. The attributes with a frequency rate of less than 25% were not incorporated.

Please evaluate each definition and answer the corresponding questions. Each boldfaced contract type is followed by the synthesized definition, the Federal Acquisition Regulation (FAR) reference, synonyms, and any applicable notes. It is in the notes where those attributes with a frequency rate between 25% and 50% are listed. Along with them are comments provided by the researcher, designated by DRM, to aid your evaluation. Please keep these notes in mind as you respond to the questions.

The first question asked is "Do you agree with the synthesized definition?"

- a. Check the YES block only if you believe the definition is precise and accurate.
- b. Check the NO block if you believe an attribute is missing, if one should be deleted, or if the definition is worded improperly. Then use the space provided to

specify what you didn't like about the definition and ways to improve it.

The next question involves the list of synonyms, "Do you believe the list of synonyms is complete and accurate?"

a. Check the YES block if you do.

b. Check the NO block if you know of one that should be included, or one that should be deleted. Again, please specify the update in the space provided.

The survey will take approximately one hour to complete. Thank you for your time and support.

Section I. General Background

1. Highest academic training received (list degree)

- [ ] Bachelor's degree \_\_\_\_\_
- [ ] Master's degree \_\_\_\_\_
- [ ] Ph.D. \_\_\_\_\_
- [ ] Other \_\_\_\_\_

2. Years of contract management/procurement experience

- [ ] 0-5 [ ] 6-10 [ ] 11-15 [ ] 16-20 [ ] 21 and up

3. Current contract management/procurement field

- [ ] Government contracting
- [ ] Commercial contracting
- [ ] Academia
- [ ] Other (please specify)
- 

4. Specific area of expertise

- [ ] Law
- [ ] Finance/Economics/Accounting
- [ ] Engineering
- [ ] Contract Management
- [ ] Production Management
- [ ] Logistics Management
- [ ] Program/Project Management
- [ ] Commercial Purchasing
- [ ] Other (please specify)
-

## Section II. Contract Type Definitions

**FIXED-PRICE CONTRACT:** A contract type that provides either a contractually agreed price, or an adjustable price subject to incorporated contract clauses.

FAR reference: 16.201

Synonyms: None

Notes: None

Do you agree with the synthesized definition?

YES                     NO (please specify)

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---

Do you believe the list of synonyms is complete and accurate?

YES                     NO (please specify)

---

---

**FIRM-FIXED-PRICE CONTRACT:** A fixed-price contract with the price not adjusted based on the cost experience of the contractor.

FAR reference: 16.202-1

Synonym: lump-sum

Notes: 46% - price is mutually agreed to  
31% - all cost responsibility placed on contractor

Do you agree with the synthesized definition?

YES                     NO (please specify)

---

---

---

---

---

Do you believe the list of synonyms is complete and accurate?

[ ] YES                    [ ] NO (please specify)

---

---

**FIRM-FIXED-PRICE AWARD FEE CONTRACT:** A fixed-price contract in which a part of the profit is set aside as an award fee. This fee is unilaterally determined by the Government's subjective evaluation of the contractor's performance in terms of stated criteria, and is not subject to the Disputes clause.

FAR reference: None

Synonym: None

Notes: DRM - definition came from a single source

Do you agree with the synthesized definition?

[ ] YES                    [ ] NO (please specify)

---

---

---

---

---

Do you believe the list of synonyms is complete and accurate?

[ ] YES                    [ ] NO (please specify)

---

---

**FIRM-FIXED-PRICE, LEVEL OF EFFORT TERM CONTRACT:** A fixed-price contract to which the contractor must provide a specific level of effort, within a stated period of time, on work stated in general terms.

FAR reference: 16.207-1

Synonym: None

Notes: 29% - progress is sought, not completion

Do you agree with the synthesized definition?

[ ] YES

[ ] NO (please specify)

---

---

---

---

---

Do you believe the list of synonyms is complete and

accurate?

[ ] YES

[ ] NO (please specify)

---

---

**FIXED-PRICE CONTRACT WITH ECONOMIC PRICE ADJUSTMENT:** A fixed-price contract which provides the price to be adjusted when contractually specified contingencies occur.

FAR reference: 16.203-1

Synonyms: Firm-fixed price with escalation, Escalation, Fixed-price escalation, Price escalation

Notes: 44% - reflect changes in market (established prices)

44% - reflect changes in labor/material costs

31% - reflect changes in labor/material cost indexes

Do you agree with the synthesized definition?

[ ] YES

[ ] NO (please specify)

---

---

---

---

---

Do you believe the list of synonyms is complete and accurate?

[ ] YES

[ ] NO (please specify)

---

---

**FIXED-PRICE-INCENTIVE (FIRM TARGET) CONTRACT:** A fixed-price contract that provides the adjustment of profit and price by a formula based on the variance between total allowable costs and target cost. Contract elements negotiated at the outset include target cost, target profit, price ceiling, and the profit adjustment formula.

FAR reference: 16.403-1

Synonyms: None

Notes: 38% - final price subject to price ceiling

Do you agree with the synthesized definition?

[ ] YES

[ ] NO (please specify)

---

---

---

---

Do you believe the list of synonyms is complete and accurate?

[ ] YES

[ ] NO (please specify)

---

---

**FIXED-PRICE INCENTIVE (SUCCESSIVE TARGETS) CONTRACT:** A fixed-price contract that provides the profit to be adjusted at a specified production point prior to delivery.

Negotiated at the outset is the target cost, target profit and the profit adjustment formula. At the production point, two alternatives are possible:

- 1) The Government and the contractor may negotiate a firm-fixed-price, or
- 2) They may negotiate another formula to establish the final price at contract completion.

FAR reference: 16.403-2

Synonyms: Successive incentive, Successive targets

Notes: 44% - ceiling price negotiated at outset

44% - production point negotiated at outset

Do you agree with the synthesized definition?

YES

NO (please specify)

---

---

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---

Do you believe the list of synonyms is complete and accurate?

YES

NO (please specify)

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---

**FIXED-PRICE REDETERMINATION CONTRACT:** A fixed-price contract that provides for subsequent negotiated adjustment of the initial negotiated price.

FAR reference: None

Synonyms: Fixed-price with redetermination, Fixed-price redetermination, Price redetermination

Notes: 29% - revised price negotiated at time of price revision

29% - ceiling price negotiated at outset

Do you agree with the synthesized definition?

[ ] YES

[ ] NO (please specify)

---

---

---

---

---

Do you believe the list of synonyms is complete and accurate?

[ ] YES

[ ] NO (please specify)

---

---

**FIXED-PRICE CONTRACT WITH PROSPECTIVE PRICE REDETERMINATION:**  
A fixed-price redetermination contract that provides a firm-fixed-price for the initial contract performance, then a prospective redetermination of the contract price for subsequent contract performance. The price is redetermined at a stated time or stated times during the initial contract performance.

FAR reference: 16.205-1

Synonyms: Fixed-price with redetermination-prospective, Fixed-price with prospective redetermination, Price redetermination-prospective, Prospective price redetermination, Fixed-price redeterminable-prospective

Notes: None

Do you agree with the synthesized definition?

[ ] YES

[ ] NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES [ ] NO (please specify)

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**FIXED-CEILING-PRICE CONTRACT WITH RETROACTIVE PRICE REDETERMINATION:** A fixed-price redetermination contract that provides for a price adjustment, within an established ceiling, after contract performance.

FAR reference: 16.206-1

Synonyms: Fixed-price with redetermination-retroactive, Fixed-price with retroactive redetermination, Price redetermination-retroactive, Retroactive price redetermination, Fixed-price redeterminable-retroactive

Notes: None

Do you agree with the synthesized definition?

[ ] YES [ ] NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES [ ] NO (please specify)

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**COST-REIMBURSEMENT CONTRACT:** A contract type that provides the payment of allowable costs incurred during contract performance to the extent that these costs are permitted in the contract.

FAR reference: 16.301-1

Synonyms: None

Notes: 43% - contractor may not exceed cost ceiling (except at own risk) without CO approval

29% - payment of allowable, allocable, and reasonable costs

29% - establishes total cost estimate to establish cost ceiling, and a basis for obligating funds

Do you agree with the synthesized definition?

[ ] YES

[ ] NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES

[ ] NO (please specify)

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**COST CONTRACT:** A cost-reimbursement contract that provides no fee.

FAR reference: 16.302

Synonyms: None

Notes: None

Do you agree with the synthesized definition?

[ ] YES

[ ] NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES                    [ ] NO (please specify)

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**COST-PLUS-AWARD-FEE CONTRACT:** A cost-reimbursement contract that provides the contractor two fees: 1) a base fee fixed at contract award with a not to exceed value of 3% of the estimated cost, and 2) an award fee determined unilaterally by the Government's subjective evaluation of the contractor's performance in terms of stated criteria.

FAR reference: 16.404-2

Synonyms: None

Notes: 43% - the Government determination is not subject to the Disputes clause

36% - award fee may be paid in whole or in part

Do you agree with the synthesized definition?

[ ] YES                    [ ] NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES                    [ ] NO (please specify)

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**COST-PLUS-FIXED-FEE CONTRACT:** A cost-reimbursement contract that provides a fee to the contractor that once negotiated will not vary with actual costs.

FAR reference: 16.306

Synonyms: None

Notes: None

Do you agree with the synthesized definition?

YES                     NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

YES                     NO (please specify)

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**COST-PLUS-INCENTIVE-FEE CONTRACT:** A cost-reimbursable contract in which a fee is provided to the contractor. The fee, within a stated range, is adjusted by a formula based on the variance between total allowable costs and target cost.

FAR reference: 16.404-1

Synonyms: None

Notes: 44% - target cost, target fee, and fee adjustment formula negotiated at outset

31% - provision for fee adjustment is designed to increase performance efficiency

Do you agree with the synthesized definition?

YES                     NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES                  [ ] NO (please specify)

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**COST-SHARING CONTRACT:** A cost-reimbursement contract in which there is no fee, and the contractor is reimbursed for an agreed portion of allowable costs.

FAR reference: 16.303

Synonyms: None

Notes: None

Do you agree with the synthesized definition?

[ ] YES                  [ ] NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES                  [ ] NO (please specify)

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**INDEFINITE-DELIVERY CONTRACT:** A fixed-price contract in which the exact time of delivery is not known at contract award. The contract has a fixed period of time, and deliveries are scheduled by the placement of orders.

FAR reference: 16.501

Synonyms: None

Notes: None

Do you agree with the synthesized definition?

[ ] YES

[ ] NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES

[ ] NO (please specify)

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**DEFINITE-QUANTITY CONTRACT:** An indefinite-delivery contract that provides for a predetermined quantity of specific supplies or services.

FAR reference: 16.502

Synonyms: None

Notes: None

Do you agree with the synthesized definition?

[ ] YES

[ ] NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES                    [ ] NO (please specify)

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**INDEFINITE-QUANTITY CONTRACT:** A indefinite-delivery contract which provides an indefinite quantity, within stated limits, of specified supplies or services. The Government is obligated to order at least the stated minimum quantity per order until the contractor has delivered the stated maximum quantity.

FAR reference: 16.504

Synonyms: None

Notes: 29% - contract may specify max/min quantity per order

Do you agree with the synthesized definition?

[ ] YES                    [ ] NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES                    [ ] NO (please specify)

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**REQUIREMENTS CONTRACT:** An indefinite-delivery contract that provides all actual purchase requirements of specific supplies or services.

FAR reference: 16.503

Synonyms: None

Notes: None

Do you agree with the synthesized definition?

[ ] YES

[ ] NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES

[ ] NO (please specify)

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**BASIC AGREEMENT:** A written instrument of understanding between a procuring activity and a contractor that sets forth the negotiated contract clauses that are applicable to future procurement between the parties within a specified time period. By definition, a basic agreement is not a contract.

FAR reference: 16.702

Synonyms: None

Notes: 38% - contemplates separate future contracts that will incorporate the agreed clauses

DRM - What exactly is a written instrument of understanding, and what does "contemplates separate future contracts" mean?

Do you agree with the synthesized definition?

[ ] YES

[ ] NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES                    [ ] NO (please specify)

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**BASIC ORDERING AGREEMENT:** A written instrument of understanding between a procuring activity and a contractor that sets forth the

- 1) specific description of the supplies or services to be furnished or performed,
- 2) methods for price determination, and
- 3) either the specific terms and conditions of delivery or method of determination.

FAR reference: 16.703

Synonyms: None

Notes: 43% - agreement lists authorized activities to issue orders

Do you agree with the synthesized definition?

[ ] YES                    [ ] NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES                    [ ] NO (please specify)

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**OPEN CONTRACT:** A contract which sets forth the general provisions of supplies and services that may be delivered or performed during a stated period of time. The quantity and delivery of the supplies or services are determined by the placement of orders.

FAR reference: None

Synonyms: Open end, Master, Task order, Task

Notes: 25% - type of supplies/services and prices known  
25% - type of supplies/services and prices unknown  
25% - Government not obligated to place any orders  
DRM - Please help. This sounds like a basic  
agreement or an indefinite-delivery contract,  
and look at this mess provided by the literary  
sources.

Do you agree with the synthesized definition?

YES

NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

YES

NO (please specify)

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**FIXED-RATE CONTRACT:** A contract that establishes at contract award a reimbursement rate for labor, and may provide the reimbursement of material costs. The rate is inclusive of direct labor, overhead, general and administrative expenses, and profit.

FAR reference: None

Synonyms: None

Notes: DRM - definition came from only one source

Do you agree with the synthesized definition?

[ ] YES

[ ] NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES

[ ] NO (please specify)

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**LABOR-HOUR CONTRACT:** A fixed-rate contract in which material cost is not reimbursed.

FAR reference: 16.602

Synonym: Rate per hour

Notes: None

Do you agree with the synthesized definition?

[ ] YES

[ ] NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES

[ ] NO (please specify)

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**TIME-AND-MATERIALS CONTRACT:** A fixed-rate contract which provides the reimbursement of material at cost.

FAR reference: 16.601

Synonyms: None

Notes: 42% - material handling costs may be also be reimbursed

Do you agree with the synthesized definition?

[ ] YES

[ ] NO (please specify)

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Do you believe the list of synonyms is complete and accurate?

[ ] YES

[ ] NO (please specify)

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Section III. Overview

Do you believe that each of the contract types in this survey are valid government contract types and should be included in an NCMA published dictionary of contracting terms?

[ ] YES

[ ] NO (please explain)

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Are there any other contract types that should be included in the dictionary. If so, please list them. NOTE: Letter contract was not defined in this effort because it has been previously defined in an earlier thesis.

[ ] YES

[ ] NO

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END OF SURVEY

Reminder: The survey needs to be postmarked by 6 July to be included in the thesis research.

## Appendix C: Proposed List of Contract Type Definitions

This is the list of contract type definitions derived from the literature review and the written survey discussed in Chapter Four. The contract types are listed alphabetically. The "Letter Contract" definition was taken from Captain John Cannaday's thesis (Q:137). "Open Contract" is presented here, but it should be understood that further research is recommended.

**BASIC AGREEMENT:** A written instrument of understanding between a procuring activity and a contractor that sets forth the negotiated contract clauses that would be applicable to future procurements by the Government within a specified time period. By definition, a basic agreement is not a contract.

FAR reference: 16.702

Synonyms: BA, Letter of Intent, Master, Memorandum of Understanding

**BASIC ORDERING AGREEMENT:** A written instrument of understanding between a procuring activity and a contractor that sets forth the

- 1) specific description of the supplies or services to be furnished or performed,
- 2) method for price determination, and
- 3) either the specific terms and conditions of delivery or method of determination.

FAR reference: 16.703

Synonyms: BOA, Master, Omnibus, Open

**COST CONTRACT:** A cost-reimbursement contract that provides no fee.

FAR reference: 16.302

Synonyms: Cost-No Fee, Cost Only, Cost Reimbursement without Fee, No Fee, No Fee Cost Reimbursement, and No Fee Cost Type.

**COST-PLUS-AWARD-FEE CONTRACT:** A cost-reimbursement contract that may provide the contractor two fees: 1) a base fee fixed at contract award, and 2) an award fee determined unilaterally by the Government's subjective evaluation of the contractor's performance in terms of contractually stated criteria.

FAR reference: 16.404-2  
Synonyms: Award Fee, CPAF

**COST-PLUS-FIXED-FEE CONTRACT:** A cost-reimbursement contract that provides a fee to the contractor that, once negotiated, will not vary with cost incurred.

FAR reference: 16.306  
Synonyms: Cost-Reimbursement with Fixed Fee, CPFF, Fixed Fee

**COST-PLUS-INCENTIVE-FEE CONTRACT:** A cost-reimbursement contract in which a fee is provided to the contractor. The fee, within a stated range, is adjusted by a formula based on the variance between total allowable costs and target cost.

FAR reference: 16.404-1  
Synonyms: Cost-Reimbursement-Plus Incentive Fee, CPIF, Incentive

**COST-REIMBURSEMENT CONTRACT:** A contract type that provides for the payment of costs incurred during contract performance to the extent that these costs are allowable by contract terms.

FAR reference: 16.301-1  
Synonyms: Cost Plus, Cost Type, Reimbursement

**COST-SHARING CONTRACT:** A cost-reimbursement contract in which there is no fee, and the contractor is reimbursed for an agreed portion of allowable costs.

FAR reference: 16.303  
Synonyms: Cost Share

**DEFINITE-QUANTITY CONTRACT:** An indefinite-delivery contract that provides for a predetermined quantity of specific supplies or services.

FAR reference: 16.502

Synonyms: IDQ

**FIRM-FIXED-PRICE AWARD FEE CONTRACT:** A fixed-price contract which provides the payment of an award fee in addition to the price set forth. The amount of the fee is unilaterally determined by the Government's subjective evaluation of the contractor's performance in terms of stated criteria, and is not subject to the Disputes clause.

FAR reference: None

Synonym: None

**FIRM-FIXED-PRICE CONTRACT:** A fixed-price contract with the price not subject to adjustment based on costs incurred by the contractor.

FAR reference: 16.202-1

Synonym: FFP, Firm Lump Sum, Lump-Sum

**FIRM-FIXED-PRICE, LEVEL OF EFFORT TERM CONTRACT:** A fixed-price contract to which the contractor must provide a specific level of effort, within a stated period of time, on work stated in general terms.

FAR reference: 16.207-1

Synonym: Best Effort, Level of Effort

**FIXED-CEILING-PRICE CONTRACT WITH RETROACTIVE PRICE**

**REDETERMINATION:** A fixed-price redetermination contract that provides for a price adjustment, within an established ceiling, after contract performance.

FAR reference: 16.206-1

Synonyms: Fixed-Price Redeterminable-Retroactive, Fixed-Price with Redetermination-Retroactive, Fixed-Price with Retroactive Redetermination, Price Redetermination-Retroactive, Retroactive Price Redetermination,

**FIXED-PRICE CONTRACT:** A contract type that provides either a contractually agreed final price, or a price subject to adjustment if incorporated contract clauses become applicable.

FAR reference: 16.201

Synonym: Lump-sum

**FIXED-PRICE CONTRACT WITH ECONOMIC PRICE ADJUSTMENT:** A fixed-price contract which provides for the price to be adjusted when contractually specified contingencies occur.

FAR reference: 16.203-1

Synonyms: Escalation, Firm-Fixed Price with Escalation, Fixed-Price Escalation, Price Escalation, Fixed-Price with EPA

**FIXED-PRICE CONTRACT WITH PROSPECTIVE PRICE REDETERMINATION:** A fixed-price redetermination contract that provides a firm-fixed-price for the initial contract performance, then a future redetermination of the contract price for subsequent contract performance. The price is redetermined at a stated time or times during the initial contract performance.

FAR reference: 16.205-1

Synonyms: Fixed-Price with Prospective Redetermination, Fixed-Price Redeterminable-Prospective, Fixed-Price with Redetermination-Prospective, Price Redetermination-Perspective, Prospective Price Redetermination,

**FIXED-PRICE-INCENTIVE (FIRM TARGET) CONTRACT:** A fixed-price contract that provides for the adjustment of profit and price by a formula based on the variance between total allowable costs and target cost. Contract elements negotiated at the outset include target cost, target profit, price ceiling, and the profit adjustment formula.

FAR reference: 16.403-1

Synonyms: FPI, FPI(T), Incentive, Simple Incentive

**FIXED-PRICE INCENTIVE (SUCCESSIVE TARGETS) CONTRACT:** A fixed-price contract that provides for the adjustment of the profit at a specified production point prior to delivery. Negotiated at the outset is the target cost, target profit and the profit adjustment formula. At the production point, two alternatives are possible:

- 1) The Government and the contractor may negotiate a firm-fixed-price, or

2) They may negotiate another formula to establish the final price at contract completion.

FAR reference: 16.403-2

Synonyms: Successive incentive, Successive targets

**FIXED-PRICE REDETERMINATION CONTRACT:** A fixed-price contract that provides for subsequent negotiated adjustment of the initial negotiated price.

FAR reference: None

Synonyms: Fixed-Price Redeterminable, Fixed-Price with Redetermination, Price Redetermination

**FIXED-RATE CONTRACT:** A contract type that establishes at contract award a fixed price per unit of labor, and may provide for the reimbursement of material costs. The labor rate includes direct labor, overhead, general and administrative expenses, and profit.

FAR reference: None

Synonyms: Equivalent-Hour, Fixed-Rate Indefinite Quantity, Unit Price, Unit Rate

**INDEFINITE-DELIVERY CONTRACT:** A fixed-price contract in which the exact time of delivery is not known at contract award. The contract has a fixed ordering period, and deliveries are scheduled by the placement of orders.

FAR reference: 16.501

Synonyms: Call, Fixed Quantity Indefinite Delivery, Fixed Unit Price

**INDEFINITE-QUANTITY CONTRACT:** An indefinite-delivery contract which provides an indefinite quantity, within stated limits, of specified supplies or services. The Government is obligated to order until the contractor has delivered the stated maximum quantity.

FAR reference: 16.504

Synonyms: IDQ

**LABOR-HOUR CONTRACT:** A fixed-rate contract in which material is not utilized during contract performance.

FAR reference: 16.602

Synonym: Body Shop, Fixed Labor Rate, Labor Rate, Man Hour, Rate per Day, Rate per Hour

**LETTER CONTRACT:** A contractual instrument, historically in letter form, that authorizes the contractor to commence work, incur costs and make commitments pending definitization of a fixed-price or cost-reimbursement pricing arrangement for work to be done. Used when it is not possible to negotiate a definitive contract in sufficient time to meet the procurement need.

FAR reference: FAR 16.603

Synonym: None

**OPEN CONTRACT:** A contract which sets forth the general provisions of supplies and services that may be delivered or performed during a stated period of time. The quantity and delivery of the supplies or services are determined by the placement of orders. \* Recommend further research \*

FAR reference: None

Synonyms: BOA, Call, Master, Master Agreement, Open end, Task, Task Order

**REQUIREMENTS CONTRACT:** An indefinite-delivery contract that provides for filling all actual purchase requirements of specific supplies or services.

FAR reference: 16.503

Synonyms: None

**TIME-AND-MATERIALS CONTRACT:** A fixed-rate contract which provides the reimbursement of material at cost.

FAR reference: 16.601

Synonyms: T&M

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Vita

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[REDACTED] graduated from Aiea High School in Aiea, Hawaii in 1981 and attended the University of Washington on an AFROTC scholarship. He graduated with a Bachelor of Science in Aeronautics and Astronautics in August 1985. Upon graduation, he received his reserved commission in the USAF and served his initial tour of duty at Wright-Patterson AFB, Ohio. He began as a Manufacturing Manager for the Directorate of Manufacturing/Quality Assurance, Tactical Systems, Aeronautical Systems Division (ASD), supporting the AGM-65D Maverick Missile program until May 1987. He was then selected to become the Quality Assurance Manager for the Maverick program. He was responsible for their Hardware Quality Audit Program; disassembling missiles and inspecting them to assure contract compliance. He was awarded the Systems Command Outstanding Officer of the Year in Quality Assurance for 1988 before entering the School of Systems and Logistics, Air Force Institute of Technology, in May 1989.

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